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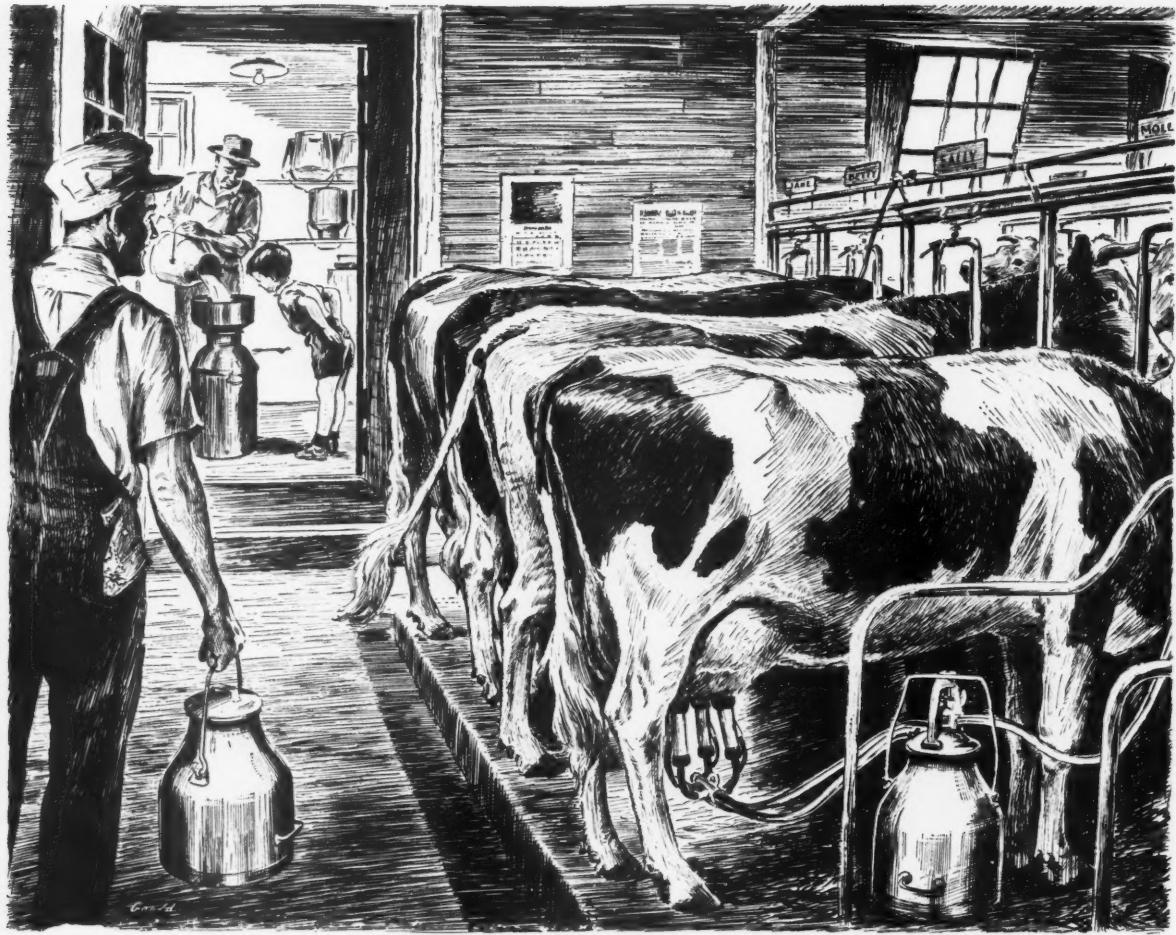
July 1946

CVII of a series of Century old cities. Hoboken, N. J.



July 1946

Marketing and Full Employment . . . Candy Takes Its Place
at the Dinner Table . . . Amortization of Costs of War Facilities



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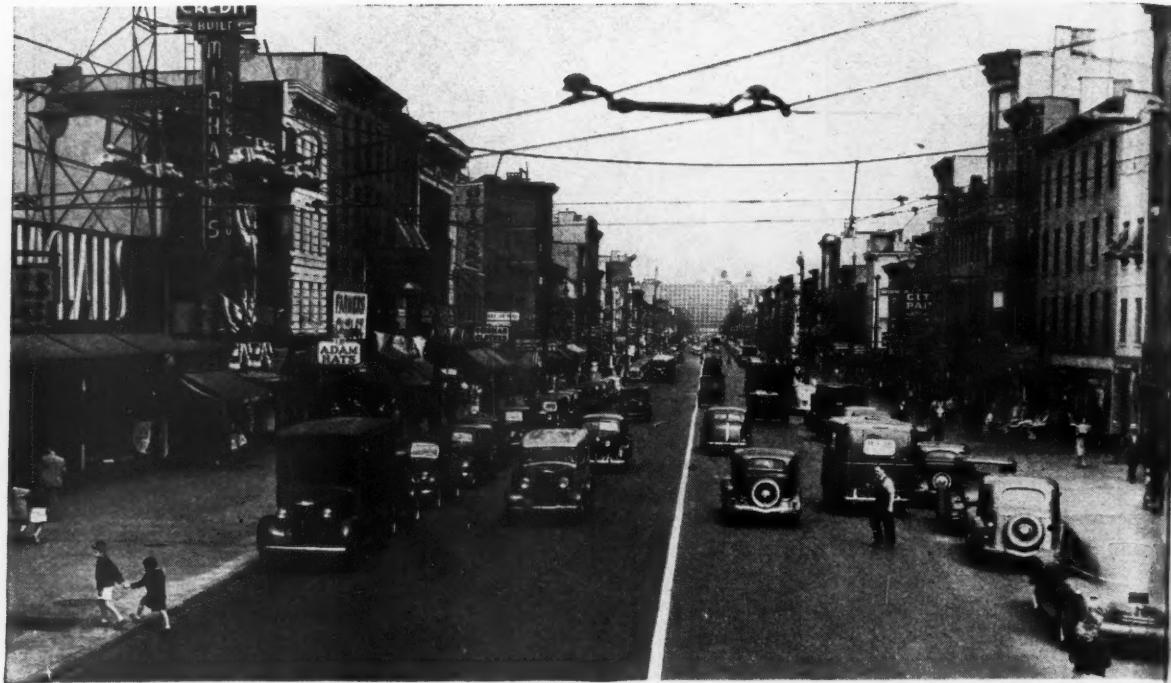
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WASHINGTON STREET, HOBOKEN, N. J.—PHOTOGRAPH FROM HOBOKEN CHAMBER OF COMMERCE



This Month's Cover

HOBOKEN, N. J.

East Gloucester, Mass. - - - - - *Frontispiece*

Marketing and Full Employment - - - - - 11

Marketing rôle in maintaining employment; current thought on degrees of control that business and Government must exercise

EDWIN B. GEORGE
Economist, DUN & BRADSTREET, INC.
Associate Editor, DUN'S REVIEW

Candy Takes Its Place at the Dinner Table - - - 15

A wartime and post-war study of the candy industry, revealing a shortage in face of peak production and factors causing it

EDWARD T. BULLOCK

Amortization of Costs of War Facilities - - - 19

How to file tax claims and to treat fully amortized facilities in financial statements; evolution of legislation over two wars

THEODORE WESLEY GRASKE
Author, "War Contract Claims"

The Trend of Business - - - - - 23

Production and retail volume high, slightly below this year's peak; wholesale and retail prices and employment rise steadily

Significant Business Indicators - - - - - 26

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Here and There in Business - - - - - 30

Hoboken, N. J., situated on the west bank of the Hudson River across from the lower part of New York City, is an important port and industrial center.

The city's varied manufactures include food, electrical products, furniture novelties, cranes, excavating equipment, pencils and pens, baking powder, tea, coffee products, chemicals, boxes, and scientific instruments. The eastern terminus of the Lackawanna Railroad, Hoboken has railroad shops as well as shipyards. Its 197 manufacturing establishments in 1939 produced goods valued at \$65,286,005. In that year the 1,120 retail stores had sales of \$19,587,000; the 421 service establishments, receipts of \$2,604,000; and the 55 wholesalers, sales of \$42,336,000.

Michael Pauw received a grant comprising the site of Hoboken in 1630 and the land was bought by the West India Company in 1635, but it was not until 1804 that Hoboken was laid out as a town by John Stevens, inventor of the first multi-tubular boiler and other marine facilities. Hoboken long was a popular pleasure resort for New Yorkers. Much of the surface of its one-mile-square land area has been filled in to raise it above the high tide level.

The cover print, from a lithograph by J. Backmann, Hoboken, depicting that community in 1859, is from the Phelps Stokes Collection, New York Public Library.

DUN'S REVIEW, July 1946. Published monthly by DUN & BRADSTREET, INC., 290 Broadway, New York 8, N. Y. Subscription information on page 66. Frontispiece from Charles Phelps Cushing.



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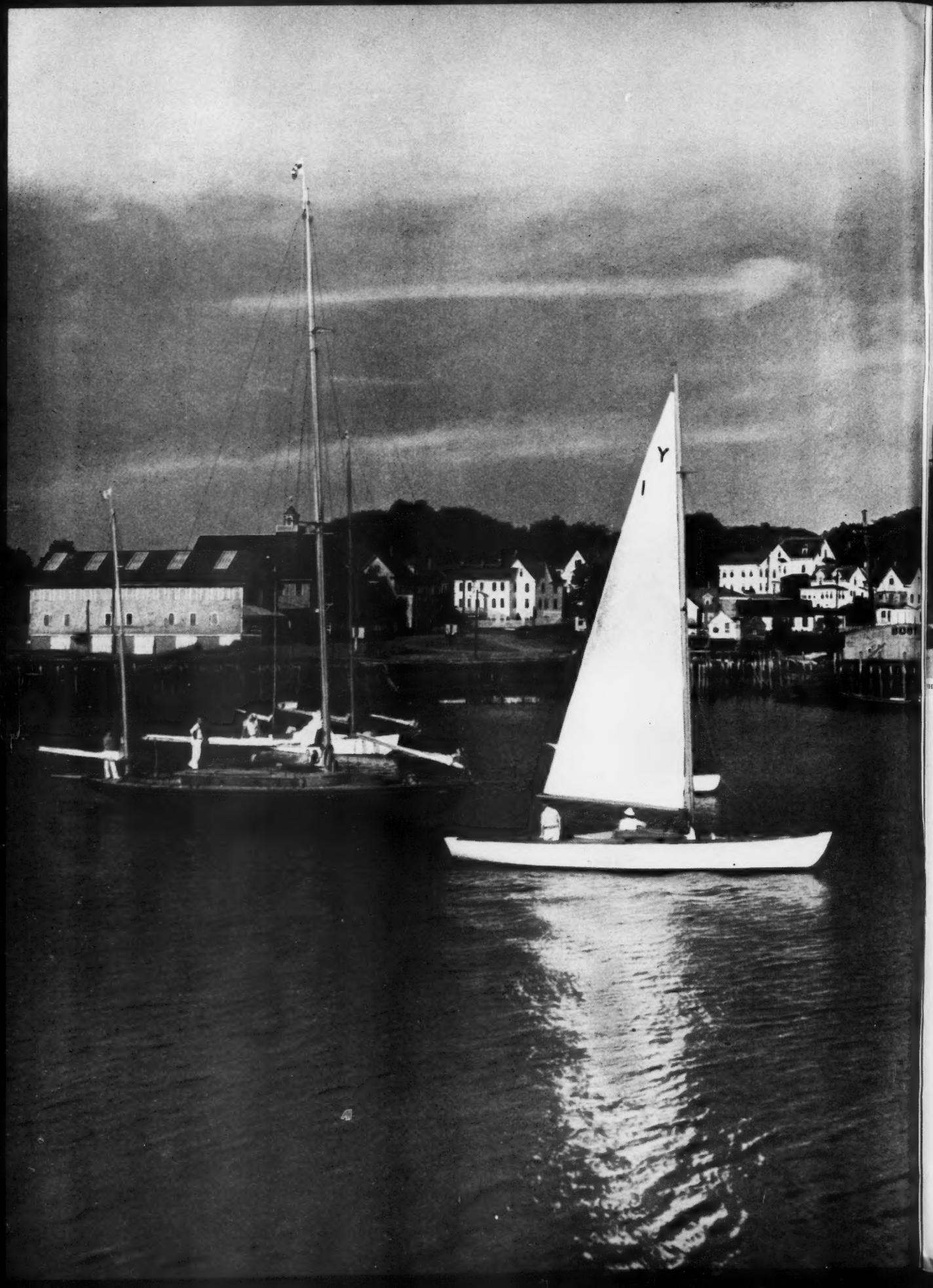
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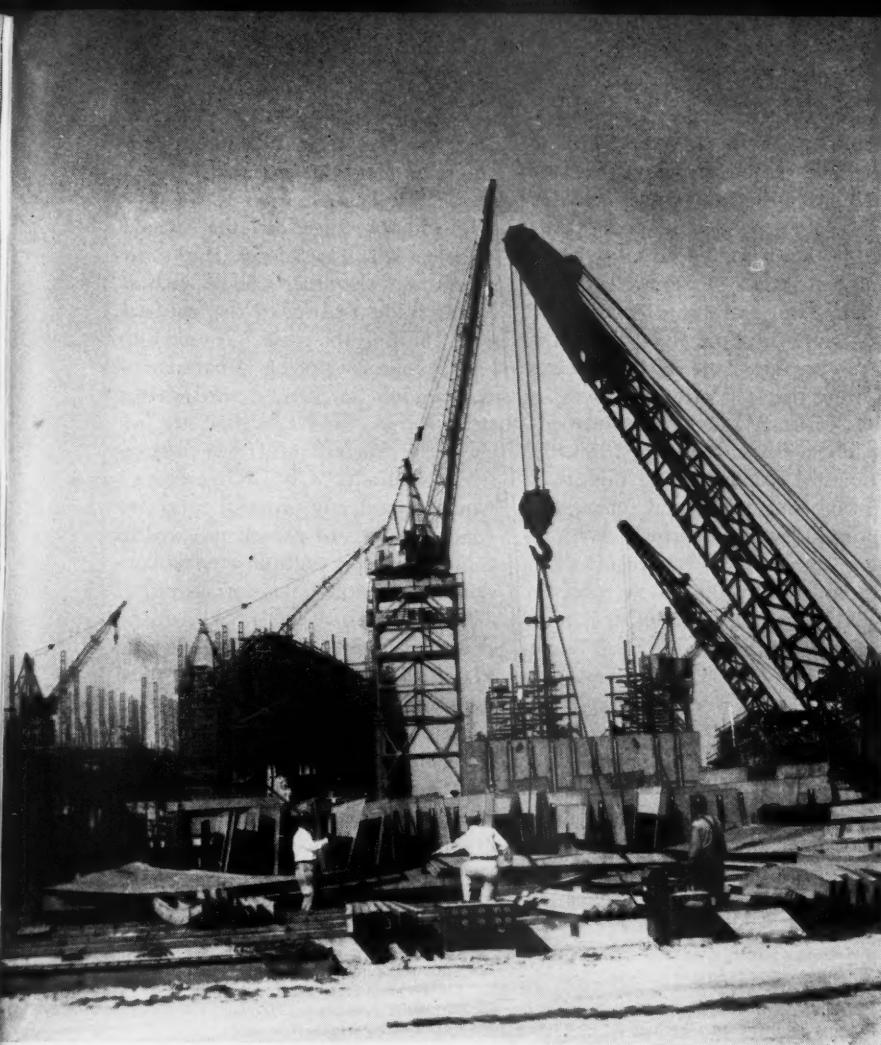
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SHIPBUILDING AT TAMPA, FLORIDA—CUSHING PHOTOGRAPH

*W*HAT business, particularly marketing, and Government can do to maintain high employment is considered by Mr. George in the light of current thought. He gives the views of proponents of "unshackled" free enterprise; of those endorsing State responsibility for employment within the bounds of free enterprise; and of advocates of guaranteed "full employment."

Marketing and Full Employment IN WAR AND PEACE

EDWIN B. GEORGE .

*Economist, DUN & BRADSTREET, INC.
Associate Editor, DUN'S REVIEW*

THE current economic environment obviates any debate over immediate measures to insure the economy's operation around capacity. For the present, instead, interest centers upon the attempt to control prices, production, and distribution in a system straining its resources to the utmost to meet ever-swelling demands. V-J Day of itself did not put a single new radio in distant farmhouses or a single nylon

stocking on waiting limbs. In the bottle-littered dawn the same accumulation of shortages and buying power was with us, the same positive and negative charges that the Government had for four years been struggling to hold apart in the hope of keeping our national economy in one piece. The dynamite in these charges can be extracted but slowly. It will be at least a year before many soft goods and the

bulk of consumers' durable goods will be available in quantities wanted by the public. In brief, the immediate problem is that of harnessing cumulative inflation, not that of making good a deficiency of demand.

It is incontestable, of course, that such should be the focus of short term policy. But it would be most unfortunate were our concern therewith to obscure what may well be the most crucial longer-

term issue which the American business community will be called upon to face. That issue is whether, in view of the wartime and for that matter current demonstration that full employment is achievable, public insistence will not place directly upon our whole system the obligation to reach and maintain this ideal. The question actually posed by such insistence is: What are the proper rôles of business and Government in avoiding the twin evils of inflation and deflation? The broad considerations bearing directly upon this question are set down below.

"Full Employment" Goal

First and foremost, we cannot stop people from saying: "We had full employment during the war: why don't we have it regularly?" In the vast majority of cases the distinctions and complexities underlying such a query are wholly unseen. But in England it is asked in high places, and answered both with explicit reference to wartime controls, and without dependence on a Labor Government philosophy.

Even in this country there is no sense in blinking at the fact that "Full Employment" is a goal commanding wide sympathy. Disputes are common only as to definition and method of achievement. As in the case of all popular objectives, this one is politically seductive. Any man with a plan can demand sympathy because of the merit of his purpose. The responsibility of the Federal Government to avert heavy and sustained unemployment is almost generally recognized. A number of corollaries and companion pieces stretch themselves before the same gentle flame of social awareness. For example, most professional economists believe, often without any particular violence, that as the means offer themselves we should head toward a more even distribution of income by classes. Business leaders preach that the private enterprise system must demonstrate that it can establish and maintain continuously high levels of activity relative to the system's production potential. These are not Socialists speaking. They are Eric Johnsons and Emil Schrams.

Beyond these simple beginnings, however, disagreement emerges. I have inquired as to whether wartime

controls might be invoked here in peacetime. Let us move up the slope of responsibly held economic views that might culminate at that point. Any classification is highly arbitrary, but I think a number of general starting points are distinguishable. Let us then distinguish three major parties—the "Chain-Breakers," the "Helping Handers," and the "Underwriters."

By "Chain-Breakers" I mean to designate those who think that, in order to raise the economy to the high road, it is both necessary and sufficient to "unshackle free enterprise." With relation to the more severe planks of its program, this group is now relatively small, but by the same token is more homogeneous than in the case of "Helping Handers" and "Underwriters." Illustratively, they would effect a radical revision of the Securities and Exchange Act, repeal or amend drastically the Wagner Act, broaden anti-trust powers to permit devastating crackdowns on labor unions, and have the Government refrain from accepting any responsibility at all for high activity. "Unshack-

ling" itself is their full-employment program. Their orientation is predominantly laissez-faire.

In addition, therefore, they would take steps which are advocated by some members of the other schools, such as funding and reducing the national debt, "busting the trusts," re-establishing very flexible pricing in both factor and product markets, demolishing tariff barriers, and rendering the income tax structure rather less progressive. Naturally, "Chain-Breakers" would regard any proposal to revive (and often regard present proposal to continue) direct controls over production and distribution as outrageous.

Most American economists will no doubt be found among the "Helping Handers." In terms of principal, these men are prepared to concede the responsibility of the State for maintaining genuine employment opportunities at a high level, but believe that this obligation can be discharged within the framework of the State's traditional peacetime powers and without substantial modification of the free enterprise

The skeleton of an abandoned plant which frames others in production at East Newark, N. J., symbolizes Mr. George's emphasis on the necessity that business, and particularly that part which deals with marketing, should plan for keeping employment at a high level. Marketing men, says the author, face the alternative between a "Helping Hand" policy in which they may take an active part toward this goal and the adoption by the Government of a plan of "Full Employment."

HARRIS & EWING PHOTOGRAPH



The Parlin Memorial Lecture

"The Charles Coolidge Parlin Memorial Lecture is sponsored by the Philadelphia Chapter of the American Marketing Association in cooperation with The Curtis Publishing Company. It has been established to honor the man who is recognized as the founder of modern market research. The lecturer is chosen each year from among those market analysts, economists, sociologists, psychologists, and business executives who are able to contribute some broader scientific perspective to marketing and market research practice. Each speaker receives the annual Charles Coolidge Parlin Memorial Award.

"The Philadelphia Chapter, American Marketing Association, has been fortunate indeed in securing as the Parlin Memorial Lecturer such a distinguished economist and brilliant speaker as Edwin B. George. The contributions he has made during the years to sound business thinking and practices have been many. . . .

Recently, in addition to his work as Economist for DUN & BRADSTREET, INC., and Associate Editor, DUN'S REVIEW, he served as Economist for the Special Committee on Postwar Economic Policy (the Colmer Committee) of the House of Representatives. In this special capacity, Mr. George engaged in study of just about every phase of our present national economic problems and shared in, and contributed to, the thinking of leaders in all fields of business.

"For three and a half years he was with the War Production Board and its predecessor agencies. Among his jobs during this period were: Assistant to Donald M. Nelson when Mr. Nelson was Executive Director of the Supply, Priorities and Allocation Board; Chief of the Materials Division of the Research and Statistics Bureau; Director of Review and Analysis Staff of the Program Bureau; and Coordinator of American Requirements and Combined Raw Material Board."

In the discussion of "Marketing and Full Employment" in these pages, there are presented parts of the Parlin Memorial Lecture. . . . Printed copies of the complete lecture are available from the AMA Philadelphia Chapter Secretary: William F. Buehl, McGraw-Hill Publishing Co., Inc., 16 South Broad Street, Philadelphia 2.

system. They oppose any guarantee of "full employment." They form a populous group and live in the broad middle lands of professional thought on modern economic policy. A large number of suggestions rise from their ranks, therefore, to modify the tax system, outwit the monopolies, clarify the goals and sharpen the instruments of monetary policy, manage budget deficits and surpluses more purposefully and in general to alleviate the stresses and strains to which a heavily industrialized economy has become subject.

Views of "Helping Handers"

One major point of emphasis among "Helping Handers"—not enough in itself to warrant a party grouping, but nonetheless giving a definite slant to their views—concerns what the CED research staff calls "built-in" flexibility. The purpose is to strengthen to the extent possible those elements within the present system which in more or less automatic fashion respond anti-cyclically to variations in activity. For example, with a generally high and somewhat less progressive personal income tax, averaging provisions in both

individual and corporate income tax laws, a system of unemployment compensation with wider coverage and more substantial benefits and contributions, and a plentiful stock of "easy-to-start—easy-to-stop" public works projects to hand, strong antibodies would form rapidly as activity moved from "desirable" levels and a strong check would be placed upon cumulative movements.

Business, too, would then have a more rational basis for expectations regarding forward economic developments as against the uncertainties engendered by vague commissions to provide "full employment"—a fact which itself would tend to damp down fluctuations. Given this sort of environment, it is held, prospects are good that *ad hoc* measures to overcome stubborn pockets of resistance (e.g., depressed industries and areas) and deep-rooted institutional ills (industrial monopolies, for example, or prohibitive tariffs) would be successful in bringing the feasible level of activity closer to full utilization than at present.

It is the "Underwriters," however, who would guarantee "full employ-

ment" itself. The methods are various. Some would establish a system of national income insurance which would guarantee the over-all market for the final products of private enterprise. Others envisage inter-industry planning and purchases and sales in amounts which would insure virtually full utilization of resources under the protection of government guarantees to take over any unsold percentage of quotas at a moderate discount. Some would proceed even to the point of recommending the distributing of free income to every citizen, the amount adjusted periodically by a national employment board watching production, employment, and price statistics, in order to maintain a "full employment" rate of total expenditures.

A Possible Compromise

Few of these savants dwell specifically on the parts which might conceivably have to be played by allocation, price control, rationing, subsidies, and wage control, in effectuating their schemes. This is not necessary. Did time permit, it would not be difficult to indicate how, in all likelihood, im-



plementation of the plans would require some or all of these devices. It does not matter so much now. We should not for some time experience serious depression, or unemployment on a scale opening men's minds to all-out experimentation, and the current pattern of direct controls may be discounted as an inevitable aftermath of the war. But it is well to remember that most of the underwriting schemes are respectably sponsored, abound in gravely discussed literature, and are debated in attentive forums. History tells us from the disarming remoteness of the past that periodically new compromises are struck between dreams of completely unfettered enterprise and dreams of a full economic life. Some time in our future there will again be want or a threat of want. The system we prefer is never through with proving itself.

Some of the loose talk about the future need for controls results from incomplete comprehension of matters of *degree*. How much welfare and idyllic living will the ruling school of thought demand in the next era? The importance of this question is underscored by the fact that, within a relatively short arc of improvement sought, especially in the higher ranges, *marked progression in the amounts of pressure becomes necessary*.

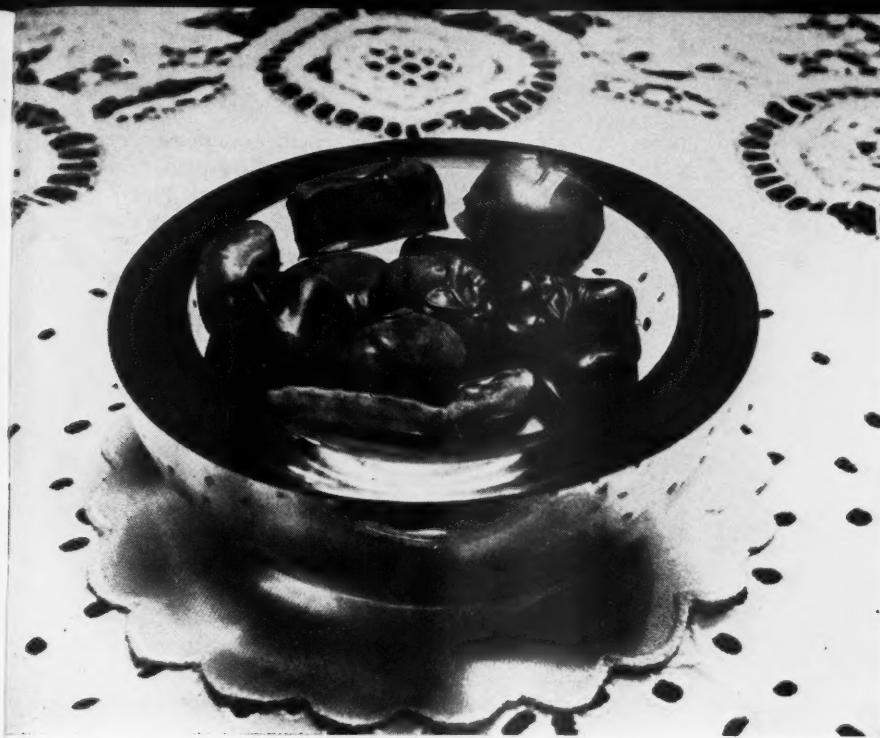
Problem of Escaping Inflation

The first essential is to recognize that maintenance of the relative level of employment experienced during the war would be little less than fantastic. By way of illustration only, we drew roughly 7,000,000 people from somewhere into the labor force. As Professor Benjamin Anderson would put it, we had "negative" unemployment in that period. The case is even stronger, of course, when stated in terms of man-hours. Eras like the present transitional one are most aggravating to business men to whom theoretical profundities are mostly offstage

(Continued on page 38)

Marketing, indicates Mr. George, faces the responsibility of continually reconciling large-scale production with a product differentiation which individualizes consumption, and of keeping consumers' expenditures up to a high percentage of disposable income.

COPPER TUBING—CUSHING PHOTOGRAPH



CUSHING PHOTOGRAPH

As with some other of the non-durable consumer goods, there has been a shortage of candy while more of it has been made and eaten than ever before. This examination of how this happened, what the effects have been upon the industry, and how broad changes in the economy affect this product offers clews to similar situations in other fields.

Candy

TAKES ITS PLACE AT THE DINNER TABLE

EDWARD T. BULLOCK

CANDY is no longer simply a confection. Fighters and war plant workers have discovered that it is an important energy food. In one form or another confectionery was a part of every combat and emergency ration.

Today's candy contains many whole-some foods. In addition to cane and beet sugars the industry in 1944 used these nutritious ingredients: corn syrup, 722,000,000 pounds; cocoa and chocolate, 384,000,000 pounds; milk products, 425,000,000 pounds; nuts 273,000,000 pounds; and fruits, 10,000,000 pounds.

Many housewives have learned that a candy bar provides a nutritious, satisfying, and economical dessert. Candy has taken its place at the dinner table. The manufacture of confectionery has become an important food industry.

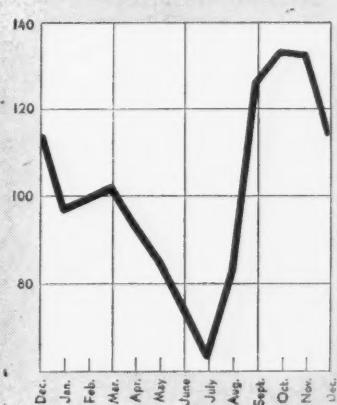
Early records show that the confectionery industry was well established in the United States by 1849. In that

year the wholesale value of confections exceeded \$3,000,000.

From the first the industry met with a ready demand for its products. This is indicated by its extremely rapid growth which outdistanced both the increases in population and per capita income. In the 30 years between 1850 and 1880 confectionery sales increased 671 per cent; population and per capita income rose 112 per cent and 37 per cent respectively. In the next 30 years, from 1880 to 1910, the value of confectionery output increased an additional 377 per cent, in contrast to a gain of 84 per cent in population and 107 per cent in per capita income.

Although there are large candy manufacturers in the United States the production of candy is largely a small-scale operation. In 1939 the average candy factory in the United States employed 49 workers. The largest plants are located in Illinois (chiefly in

CANDY PRODUCTION
SEASONAL VARIATION
1928-1936 = 100



The disinclination for candy in hot weather and the demand for it during the Christmas holidays produces sharp seasonal variation in candy production.

Chicago) where the average candy factory employed 124 workers.

The confectionery industry is becoming more concentrated and mechanized; in 1939 with 38 per cent fewer plants and with 22 per cent fewer workers than 10 years earlier the physical volume of goods was 8 per cent greater. Additional evidence of concentration is found in the distribution of orders. Approximately 96 per cent

of Government orders in 1944 was in the hands of companies doing an annual business of \$1,000,000 or more. This group also accounted for 86 per cent of all business.

The manufacture of confectionery products is widely scattered throughout the United States. On the other hand, operations are highly concentrated in the States of Illinois, New York, Pennsylvania, and Massachusetts;

about 65 per cent of confectionery as measured by value is produced in this area (table at lower left). Illinois alone produces over 31 per cent of the United States candy output. This State is first in the manufacture of every important type of candy except caramels, glazed fruits and nuts, and candied popcorn.

From a sectional viewpoint 44 per cent of confectionery products are produced in the Middle West, about 38 per cent in the East, 9 per cent in the South, and 8 per cent in the West. Of the products produced in the West, 70 per cent are produced in California.

Raw materials accounted for more than 57 per cent of confectionery wholesale value in 1939. Sugar, cocoa products, nuts, and corn syrup, constitute the principal raw materials in terms of dollars. When measured in pounds, the order of importance is cane sugar, corn syrup, milk products, chocolate and cocoa products, beet sugar, and nuts.

The war demand for confectionery has been so great that in 1945 the industry spent \$286,317,000 for materials. This amount is not far below the total value of all candy in 1939.

A survey of the distribution of raw material sales emphasizes the paramount importance of the Illinois market. This area absorbed the largest quantities of every confectionery ingredient except essential oils, and cream. These latter products amount to only slightly more than 1 per cent of the outlay for materials.

Fluctuations in Costs and Sales Value

Confectionery material costs are subject to wide fluctuations. From 1927 to 1932 the average price of materials declined 50 per cent. By contrast, wholesale confectionery prices fell 40 per cent. In the recovery period to 1937, material costs rose 47 per cent and confectionery prices only 15 per cent. During the recession of 1937-1938, material costs again declined considerably more than the sales value of confectionery. The declines were 16 per cent, and 7 per cent, for materials and confectionery respectively. From 1938 to 1944 material costs and sales value have each risen 54 per cent.

CANDY PRODUCTION, 1927-1944

TYPE OF CANDY	THOUSAND POUNDS			PER CENT CHANGE	
	1927	1939	1944	1927-1939	1939-1944
Plain Package Goods	98,796	190,650	249,556	+92.9	+30.9
Fancy Package Goods	62,397	20,500	84,120	-67.1	+310.3
Chocolate Bulk Goods	194,125	241,900	145,808	+24.6	-39.7
Bulk Confectionery					
Other Than Chocolate	450,646	457,150	437,424	+1.4	-4.3
Molded Chocolate Bars	136,927	172,200	437,424	+25.8	+154.0
Chocolate Covered Bars	344,918	481,750	832,788	+39.7	+72.9
Other Bars	84,929	63,550	190,672	-25.2	+200.0
5c. and 10c. Package Goods—Not Bars	88,396	114,800	308,440	+29.9	+168.7
Penny Goods	272,121	307,500	117,768	+13.0	-61.7
Total	1,733,255	2,050,000	2,804,000	+18.3	+36.8

From *Confectionery Sales and Distribution*, United States Department of Commerce.

DISTRIBUTION OF CONFECTIONERY INDUSTRY ACCORDING TO VALUE OF PRODUCT, 1939

EAST	PER CENT U. S.	MIDWEST	PER CENT U. S.
New York	13.6	Illinois	31.4
Pennsylvania	11.7	Ohio	3.3
Massachusetts	9.6	Missouri	3.3
New Jersey	2.6	Wisconsin	1.5
Maryland	1.1	Michigan	1.4
Rhode Island	0.3	Indiana	1.4
Vermont	0.1	Minnesota	1.1
Total	39.0	Iowa	0.5
		Total	43.9
SOUTH	PER CENT U. S.	WEST	PER CENT U. S.
Virginia	2.1	California	5.6
Georgia	2.0	Washington	0.9
North Carolina	1.3	Utah	0.5
Texas	1.3	Colorado	0.5
Tennessee	1.2	Oklahoma	0.3
Louisiana	0.7	Oregon	0.3
Mississippi	0.2	Total	8.1
Alabama	0.1		
Florida	0.1		
Total	9.0		

Computed from data on *Confectionery and Related Products*, United States Census of Manufacturers, 1939.

If price history repeats itself, the next recession of consequence will find material prices weaker than confectionery prices.

The demand for candy is but moderately affected by changes in general business conditions. In the severe depression of the early 1930's the quantity of candy consumed decreased only about 8 per cent.

Individual items, however, are subject to wide fluctuations. In 1933, for example, fancy package goods were down 70 per cent from the 1930 average. Bars, other than chocolate declined 53 per cent. In the mild recession of 1937-1938, the only decline of magnitude was one of 20 per cent in plain package goods.

Although the industry has considerable year to year stability it is subject to wide seasonal swings. The low point in output occurs in June and July. This is followed by a rapid rise reaching a peak in October and November (see chart, page 15). The demand for candy during the Christmas Holidays and the general disinclination to eat candy in hot weather explain the wide seasonal swings.

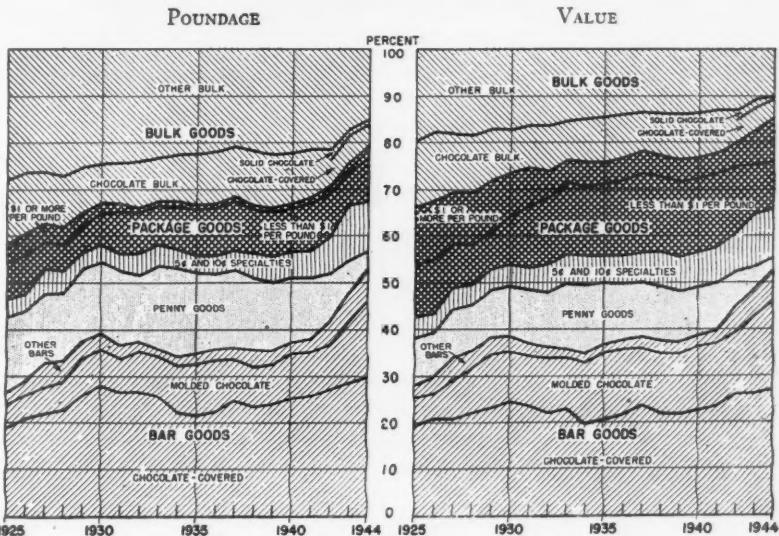
Channels of Distribution

In the pre-war years the confectionery industry was making important changes in its methods of distribution. The chain store as a distributor of candy doubled in importance from 1927 to 1944. In 1927, 10 per cent of the candy distributed was marketed through chain stores, but by 1941 the proportion had risen to 21.4 per cent. Apparently this gain was at the expense of the independent retailer. The independent retailer's share of candy sales decreased from 27.5 per cent in 1927 to 11.7 per cent in 1941 (see table, page 18).

Distribution through factory-owned stores has remained in the neighborhood of 9 per cent. The jobber has been, and continues to be, the most important means of distributing confectionery. The jobber's share has increased somewhat, rising from 53 to 59 per cent between 1927 and 1940. During the war years, however, the jobber, as a distributor of candy, lost ground. This decline is probably a temporary phenomenon resulting from

CUSHING PHOTOGRAPHS

CONFECTIONERY SALES BY TYPES OF GOODS, 1925-1944



From United States Department of Commerce, Bureau of Foreign and Domestic Commerce.

Government purchases direct from the manufacturer.

Grocery stores, food chains such as the A&P, and super-markets are assuming increasing importance as distributors of confectionery. Grocery stores now sell a larger dollar volume of candy than of coffee or of butter.

The vending machine as a means of distributing candy is increasing in importance. Such machines were a considerable factor in supplying the consumer during the war. Persons working long hours bought from vending machines more often than they would have in less strenuous times.

How important the vending machine has become is shown by a U. S. Department of Commerce study. The investigators found that 4 per cent of all candy was sold through vending machines.

Imports and Exports

Before the war imports of candy were negligible. Most of these came from Europe, and the Far East. In the war years, with domestic production limited and demand exceeding supply, imports were stimulated. Candy imports rose from 3,400,000 pounds in 1930 to more than 70,000,000 pounds in 1945. These imports were mostly hard candy from Cuba; Canada, Mexico, and Argentina contributed a small volume to the total.

In no period have imports been large enough to be a factor of importance. In most years imports were equal to but a small fraction of 1 per cent of total production. In the years 1943, 1944, and 1945, however, imports rose sharply. At their peak, in 1945, they were equal to 2.7 per cent of domestic production.

It is improbable that the foreign manufacturer will be able to meet keen post-war competition. He is unaccustomed to American standards of quality and flavor. Foreign goods are unlikely even to retain their present foothold in the United States market. Exports of confectionery, although relatively unimportant, are, in normal years, about twice as large as imports (see table, page 64).

From 1927 to 1944

During the twelve pre-war years from 1927-1939 the candy industry was characterized by expanding production.

The sales of plain package goods (selling for less than \$1) rose 93 per cent. The output of chocolate bars rose 40 per cent. Package goods, of the 5 and 10 cent variety, other than bars, gained 30 per cent. The greatest increase in absolute volume in these years occurred in chocolate-covered bars where the gain was 136,832,000 pounds. The next largest gain was in plain package goods, where sales rose 91,850,000 pounds.

An exception to the general trend was a 67 per cent decline in fancy package goods selling for \$1 or more. Production of non-chocolate bars also

(Continued on page 58)



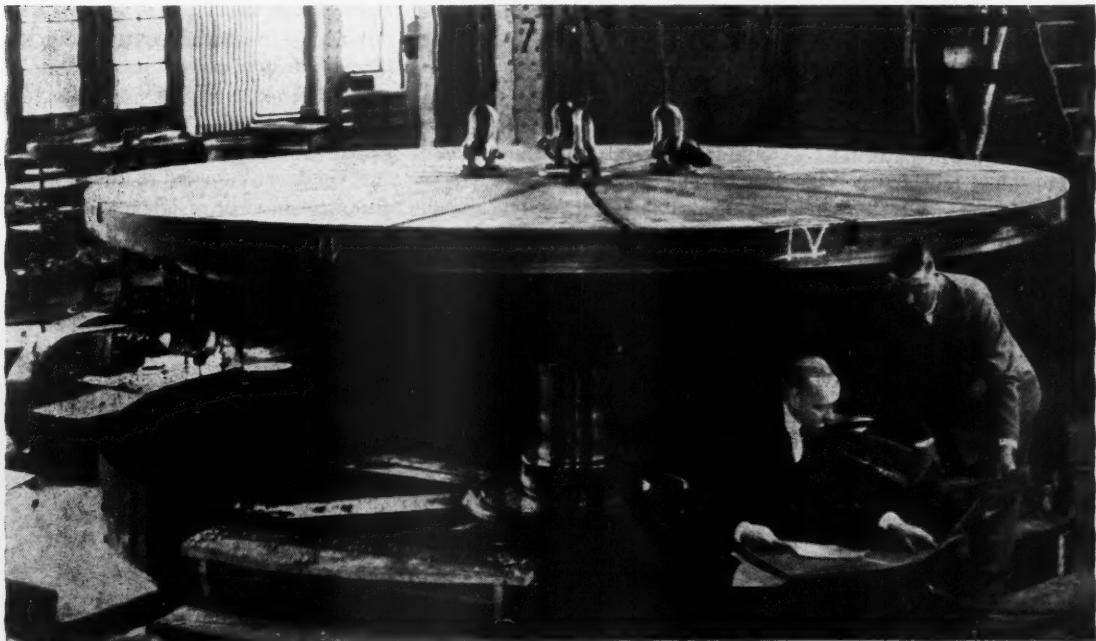
WRAPPING CANDY AT HAWLEY & HOOPS CANDY FACTORY, NEW YORK—CUSHING PHOTOGRAPH
Confectionery production gained tremendous impetus during the war years, the author points out. The increase in poundage from 1939-1944 exceeded twice that of the preceding twelve years.

PER CENT DISTRIBUTION OF CONFECTIONERY THROUGH VARIOUS CHANNELS

	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944
Through Jobbers.....	53.0	53.0	53.0	55.9	53.7	53.7	56.7	58.6	58.9	59.8	60.9	59.1	58.6	58.8	58.0	49.9	48.6	41.7
Direct to Retailers																		
Chain Stores.....	10.0	12.7	14.1	15.9	18.5	19.7	18.7	19.2	19.9	20.6	19.2	19.3	20.0	20.8	21.4	18.3	17.3	15.3
Independents.....	27.5	25.8	26.9	19.6	17.9	16.1	15.1	13.6	13.3	11.8	11.6	12.7	12.6	12.0	11.7	16.2	15.9	18.7
Direct to Consumers																		
Through Own Store.....	9.3	8.3	5.8	8.4	9.7	10.2	9.4	8.5	7.8	7.7	8.2	8.7	8.7	8.3	8.8	7.2	6.5	...
Mail Order.....	.2	.2	.2	.2	.2	.3	.1	.1	.1	.1	.1	.2	.1	.1	.1	.1	.1	.4
Government Sales.....	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	8.3	11.6	23.9

From *Candy Industry* 1937, page 6, for 1927-1936 distribution and *Confectionery Sales & Distribution*, 1943, page 33.

How practices concerning accelerated charge-offs of war plant facilities grew from World War I experiences and how they were broadened and developed to meet World War II needs provide background for real appreciation of cited specific examples of effects of amortization policy on taxes, renegotiation, and financial statements.



LIFTING THE TURNTABLE OF A BORING MILL AT THE FEDERAL SHIPYARDS, KEARNY, N. J.—HARRIS & EWING PHOTOGRAPH

Amortization of Costs OF WAR FACILITIES

THEODORE WESLEY GRASKE

Author, "War Contract Claims"

CURRENTLY, one of the most widely discussed post-war business subjects is amortization of cost of war facilities. The subject is extremely complicated from the tax, accounting, and financial viewpoints and much confusion and muddled thinking has surrounded it. A brief historical and analytical discussion may help to dispel some of the many erroneous impressions about the subject and to assist ex-

ecutives responsible for company policies relating to tax refunds, renegotiation rebates, reserves for depreciation and obsolescence of assets, and accounting or financial statements.

During World War I, industry sought assurance that its investments in plant facilities, necessary to carry on the war would not be lost at the end of the war. Congress responded by enacting the Revenue Act of 1918 which

allowed a reasonable deduction for the amortization of such part as was borne by the taxpayer of the cost of facilities constructed, erected, installed, or acquired on or after April 6, 1917, for the production of articles contributing to the prosecution of the war. At any time before a specified date—a date which was extended by subsequent legislation—the Commissioner of Internal Revenue, either by his motion or at the

request of the taxpayer, was to re-examine the taxpayer's return and if he found as a result of such re-examination that the deduction originally allowed was incorrect the tax for the war years was to be recomputed.

Under the 1918 Act only a corporation could take amortization deductions and, by definition, this included associations, joint-stock companies, and insurance companies. By judicial decision, a subsidiary corporation also was entitled to the same benefits as the parent corporation. Such legislation while defective in many respects was on the whole liberally construed by the courts and accorded to the taxpayer the promised Congressional relief.

For World War II, many business concerns in good faith and conscience felt that similar—though better drafted—provisions should be enacted to take care of certified emergency or war facilities utilized in the performance of war contracts. Again, Congress enacted the sought-after tax relief beginning with the Second Revenue Act of October 8, 1940, and amended and incorporated in section 124 of the Internal Revenue Code. By this section, as well as by others, the right to take amortization deductions was conferred not only upon corporations—as in the 1918 Act—but also upon individuals, corporations, partnerships, and estates and trusts. The privilege was extended to partnerships in the same manner as to individuals; not to the members thereof. Estates and trusts were treated likewise, except that the allowable deduction was apportioned between the income beneficiary and the fiduciary under regulations prescribed by the Commissioner.

What Is "Amortization"?

Congress used the term "amortization" in both the World War I and II statutes without specifically defining its meaning. The use of the term was perhaps unfortunate. In common usage it presupposes a period of time for amortization and is employed most commonly in connection with payment of long-term debts. Since the last war

the definition of the word in connection with war facilities has been litigated only once. In that case the court ruled that to amortize meant "to destroy, kill, or deaden." It deplored the use of the term in connection with the Revenue Act of 1918. Recently, one outstanding authority defined the meaning of the term, as used in the existing law, as "accelerated depreciation" (except for land). The common usage, however, refers to it as a write-off—at the statutory rate—of the cost of emergency facilities.

What Is a "Facility"?

While "amortization" is not defined under existing tax laws, the term "emergency facilities" is expressly defined. According to the statute, it means "any facility, land, building, machinery, or equipment, or part thereof, the construction, reconstruction, erection, in-

stallation, or acquisition of which was completed after December 31, 1939" and with respect to which a certificate of necessity has been secured from the appropriate Federal agency. Under the 1918 legislation, the term was not specifically defined. The statute merely provided that amortization could be taken "in the case of buildings, machinery, equipment, or other facilities, constructed, erected, installed, or acquired, on or after April 6, 1917, for the production of articles contributing to the prosecution of the present war."

However, the phrase "other facilities" used in the Act was judicially construed rather liberally on the ground that Congress intended that such provisions were to be of a tax relief character and also because it did not limit the scope of the term "facilities." This same view also possibly could be applicable to the words "any facility" as

MAKING METAL LATHE, NATIONAL GYPSUM COMPANY, NILES, OHIO—CUSHING PHOTOGRAPH



The purpose for which machinery is acquired determines how it is classified for purposes of amortization. In some instances certain equipment will constitute a separate functional unit—or facility—while in other cases similar equipment will constitute only part of one facility.

used in the existing law. A necessity certificate may cover several facilities. Generally, each functional unit should be considered, according to the Commissioner of Internal Revenue, as a "separate facility." In some instances, certain items of equipment constitute separate facilities while in others exactly similar items might constitute only parts of a functional facility. For example, in some instances certain motors might be considered separate facilities, whereas in others they will constitute only parts of one facility, this being true even though they might be usable as replacement parts for other facilities. The purpose for which an item is acquired should be considered in distinguishing the line of demarcation between separate facilities.

The President on September 29, 1945, proclaimed that the emergency period was ended and that utilization of a sub-

stantial portion of the emergency facilities was no longer required in the interest of national defense. Following this proclamation, many taxpayers elected to write-off the cost of emergency facilities, beginning on or after January 1, 1940, and ending on September 30, 1945. Subsequently, on December 12, 1945, the Commissioner of Internal Revenue issued Mimeograph No. 5957 containing answers to some 22 questions as to the effect of the ending of the emergency period. To grant further time in which to file applications for certificates of non-necessity, the President on January 14, 1946, extended until February 15, 1946, the terminal date for filing the taxpayer's application with the Civilian Production Administration. Many taxpayers thus were given additional time in which to elect to terminate the taking of amortization deductions and recom-

pute their taxes over the shortened period provided by section 124 of the Internal Revenue Code.

A typical instance of a recomputation of the amortization deduction follows: On August 15, 1942, the X Corporation, which makes its income tax returns on the calendar basis, acquired an emergency facility for the purpose of performing War Department contracts. The corporation elected to take amortization deductions and begin the 60-month amortization period with September 1942, the month following acquisition. The corporation secured a non-necessity certificate from the Civilian Production Administration on June 15, 1946. Thereafter, the corporation elected to terminate the amortization period and, accordingly, decided to recompute its deductions.

As a result, a new amortization period (not the 60-month) was substituted for the original one. The revised period consisted of 4 months in 1942, 12 months in 1943, 12 months in 1944, 12 months in 1945, and 6 months in 1946. The X Corporation's income and excess-profits taxes for the taxable years 1942, 1943, 1944, 1945, and 1946 were recomputed on the basis of a 46-month amortization period instead of the original one of 60 months.

Discontinued Amortization

For those taxpayers who elected to discontinue amortization deductions another recomputation basis was permitted. For example: On November 1, 1943, the Y Corporation, which makes its income tax returns on the basis of a fiscal year ending June 30, began the construction of an emergency facility which was completed on March 15, 1944. The corporation elected to take amortization deductions with respect to this facility and to begin the 60-month amortization period with April 1944, the month following completion. On January 15, 1945, the corporation filed a notice with the Commissioner in which it elected to discontinue the amortization deductions as of the beginning of February 1945. On Sep-

In the opinion of some authorities there is no need for the continuation of amortization provisions with respect to peacetime physical assets because under the Internal Revenue Code as interpreted by the courts the same accelerated depreciation is allowable for income tax purposes.



tember 29, 1945, the President issued the Proclamation ending the emergency period. The Y Corporation then elected to terminate the amortization period and, accordingly, its election to discontinue the amortization deduction was disregarded.

Instead of the original 60-month amortization period there was substituted a new amortization period of 18 months, comprising 3 months in the fiscal year ending June 30, 1944; 12 months in the taxable year ending June 30, 1945; and 3 months in the taxable year ending June 30, 1946. The corporation's taxes for the fiscal years ending June 30, 1944, 1945, and 1946 were computed or recomputed so as to give effect to amortization deductions computed on the basis of an 18-month period instead of amortization and depreciation deductions previously taken.

Tax Refund Claims

Taxpayers who elected to terminate amortization periods and recompute their previously determined or paid income and excess-profits taxes over the accelerated period ending on September 30, 1945, provided they elected to do so within 90 days after issuance of the Presidential Proclamation, had one year in which to file for any resultant overpayment of taxes during the war years (1942-1945) which was attributable solely to recomputation of amortization deductions. If, however, the taxpayer elected within 90 days of the issuance of a non-necessity certificate and on the basis of such certificate, he had one year from the date of the non-necessity certificate in which to file for a tax refund. In contrast to the existing time limits, it is interesting to note that the Revenue Act of 1926 permitted a taxpayer to file a claim for a refund due to amortization deductions before June 15, 1924. Such a claim was allowed for taxable years 1918, 1919, or 1920. Originally, the 1918 Act provided that a redetermination of the amortization allowance could be filed within three years after the end of World War I.

It should be noted that current tax regulations permit 6 per cent interest on the amount of the overpayment. The Revenue Act of 1942, however,

provided that interest "may" not be allowable but did not expressly repeal the 6 per cent general overpayment provisions of the Code. The usual general refund form, 843, has been used by the affected taxpayers and is wholly acceptable to the Commissioner although the tax regulations do not expressly mention which form is required. However, Mimeograph No. 5957 does mention it.

If the Commissioner denies the refund claim or does not act upon it within six months from the date of filing with the local collector, the taxpayer may file a petition for refund in the Federal courts. In accordance with the Internal Revenue and Judicial Codes, a taxpayer may file a suit at any time after six months up to two years in either the district courts of the United States or the Court of Claims of the United States. If the local collector to whom such wartime taxes were paid is dead or not in office the taxpayer must sue the United States. If, on the other hand, such collector is alive, the taxpayer must sue him exclusively claiming the 6 per cent statutory interest on the refund claim. A suit in the Tax Court for overpayment is of little aid to the taxpayer inasmuch as that court has held that it lacks power to compel the Commissioner to refund.

Renegotiation Rebates

The renegotiation law was operative up to December 31, 1945, and applied to business operations to that date. Many war contractors who have entered into renegotiation agreements or whose cases are pending are entitled under the Renegotiation Act of 1943 to a rebate on taxes paid or payable to the Government in which no recomputation of the amortization deduction has been made.

To obtain a rebate the war contractor must file a claim for a "net renegotiation rebate" with the War Contracts Price Adjustment Board in Washington in accordance with the Renegotiation Act. This must be accompanied by a statement of the recomputation by the Commissioner of Internal Revenue. A separate claim must be filed for each year in which a net renegotiation rebate is claimed. Due to the slow processing of tax refund claims by the

Bureau of Internal Revenue, no renegotiation rebate actually may be received by the war contractor until after the action of such bureau in the tax matter. Recently, however, a special Amortization Subsection has been set up and it is anticipated that such tax refunds will be greatly expedited.

The policy of the Price Adjustment Board until recently did not sanction the granting of such rebates if the contractor refused to enter into the required renegotiation agreement. A unilateral determination establishing so-called excessive profits gives no rise to a claim for even an estimated amortization deduction such as is granted by the Board in tentative or conditional allowance cases where recomputation has not been made. In conditional allowance cases, the policy has been to include in the renegotiation agreement a provision for the additional payment to the Government of any excess of the portion of amortization conditionally allowed in renegotiation over the corresponding part of the amount finally determined as allowable by the Commissioner for income and excess-profits tax purposes.

Congress has set up a fund, limited to \$15,000,000, to remain available until June 30, 1946, for renegotiation refunds, including renegotiation rebates required by law. Interest on the rebate is not payable, as in tax refund claims, except on renegotiation refunds erroneously collected by the Government pursuant to a unilateral determination in which case it is 4 per cent.

Reserves for Depreciation

The amortization of cost of war facilities has brought into sharp focus the matter of depreciation and obsolescence of business and industrial properties. Some authorities see no need for the continuation of the amortization provisions with respect to peacetime physical assets because under section 23 (1) of the Internal Revenue Code as interpreted by the courts the same accelerated depreciation allowance is available for Federal income tax purposes. Other authorities feel that only a decision by the Supreme Court of the United States will clarify the acceleration of depreciation on assets

(Continued on page 53)



VACATION LAND—CUSHING PHOTO

THE TREND OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

Industrial production began to move upward after a temporary decline during May. There was a slight seasonal drop in individual income payments despite increased employment. Retail volume remained high although it was below the 1946 peak. Prices edged up.

ALTHOUGH production levels were sustained by some industries and increased by others during May, over-all industrial production declined as shortages of raw materials and work stoppages adversely affected the output of both durable and non-durable goods. It was estimated that the Federal Reserve Board's index of industrial production (physical volume, seasonally adjusted, 1935-1939 = 100) fell 4 points to 160; this was 8 points below the post-war high of March and almost equal to the average monthly production in 1941.

Bituminous coal production during the first half of May continued to decline with the weekly output falling about 30 per cent below the low weekly tonnage in April. Dwindling stocks of coal were replenished to some extent during the latter half of May by the coal miners' truce when production exceeded that of the corresponding period in 1940 but was below that of the war years.

Coal shortages resulted in a steady decrease in the output of steel during April and May; after a 10 per cent drop in April production in May fell nearly 33 per cent and was estimated to be 45 million tons. This drop in steel production along with shortages of coal, copper, and lead caused some manufacturers to cut operations as their inventories of basic metals declined steadily.

This downward trend in May was evident in automobile production; weekly output increased steadily through March, April, and the first

part of May and then dropped sharply during the last two weeks of May. A similar trend was evident in the production of wire and cable, electric motors, and some heating and plumbing equipment. Although increased production of coal and steel were reported for the first week of June, this added output did not result in an immediate increase of over-all production.

Textile production during April was almost unchanged from the high level reached in March. Finishing operations were limited by shortages of starch, coal, and some dyestuffs. Cotton consumption rose slightly as spinning mills increased operations to 109.7 from 101.7 per cent of capacity. With adequate supplies of wool clothing fabric, producers of suits found output limited mainly by labor shortages and a scarcity of cotton pocketing fabric.

Food production generally was high during May; harvesting of many Spring crops was earlier than usual this

Industrial Production

	1943	1944	1945	1946
January	227	243	234	160
February	232	244	236	152
March	225	241	235	168
April	237	239	230	164
May	239	236	265	160*
June	247	235	225	
July	240	230	210	
August	242	232	186	
September	244	230	167	
October	247	232	162	
November	247	232	168	
December	241	232	164	

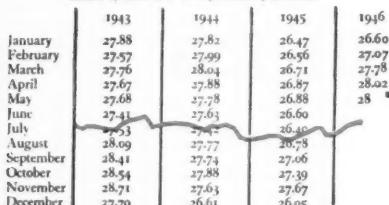
* Approximation; figure from quoted source not available.

year and canning operations were well advanced. Butter production was estimated to be 30 per cent below that of a year ago which was the lowest year since 1923. Cold storage supplies were more than 10 per cent above those of a year ago; those of meat and butter were lower than in May 1945.

The dollar value of business inventories increased steadily and was estimated to be \$28 billion at the end of May as compared with \$27.90 billion at the end of April. The over-all advance in inventories resulted from the increase in inventories of finished goods as this more than offset a decline in inventories of raw materials (U. S. Office of Business Economics).

Business Inventories

Billions of Dollars; U. S. Department of Commerce



* Approximation; figure from quoted source not available.

A rise in the dollar value of manufacturers' shipments, first apparent in March, continued the upward trend during most of May and the early part of June after an irregular decline in April. The rise resulted largely from increased shipments of durable goods; the value of shipments of non-durable goods remained almost unchanged from the March level. Despite increased shipments, the reduction of the huge backlog of orders during April and May was negligible as new order volume rose almost as fast as old orders were filled.

Employment—Seasonal increases in employment in agriculture and the building trades were further advanced in May by a rise in employment in some industries including a few that have usually experienced a seasonal decline at this time in previous years; the apparel, paper, and leather industries did not decline seasonally. Total employment in May rose for the third successive month despite a decline in industrial output and was estimated to be 55,320,000 in the week ending May

11 as compared with 54,550,000 persons during the week ending April 13 (U. S. Bureau of the Census).

Labor-management disputes during May curtailed the output of some essential raw materials such as coal, copper, and steel; shortages of these materials coupled with a restriction of railroad service during part of the month resulted in a temporary reduction of the personnel in some industries. However, these reductions were limited to a few localities and many of the men laid off were recalled with the resumption of bituminous coal production under the miners' truce.

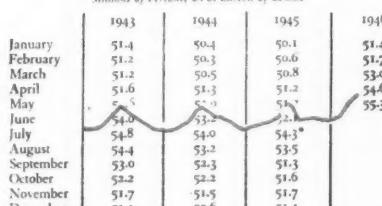
Unemployment continued to decline during May for the second successive month. The number of veterans securing employment was larger than the number being released from the armed services. Initial claims for unemployment compensation rose considerably during the early part of May reflecting an increase in the number becoming eligible. There was also a slight increase in total claims; despite these increases, the weekly totals during May were below those of any other week in the first quarter of 1946.

Income—The cumulative effects of a declining industrial output for two successive months resulted in a slight decrease in total income payments to individuals during May. A decline in total income payments has occurred from April to May every year since 1933 and a similar decline this year has lowered the monthly total below that of May 1945 and placed it at a yearly rate of from \$149 billion to \$154 billion. This exceeds any yearly rate prior to 1945 (U. S. Department of Commerce).

Work stoppages resulting from shortages of raw materials as well as strikes accounted for a large part of

Employment

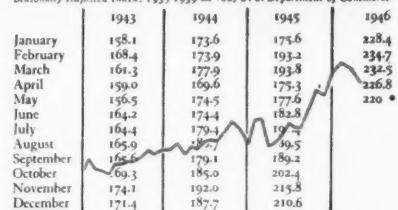
Millions of Persons; U. S. Bureau of Census



* New series.

Retail Sales

Seasonally Adjusted Index: 1935-1939 = 100; U. S. Department of Commerce



* Approximation; figure from quoted source not available.

the decline in income; they were only partly offset by increases in wage rates in some industries and increased employment. Veterans' readjustment allowances fell for the first time since the beginning of the year as a result of an increase in the number of veterans being employed and a decrease in the number of men being separated from the services.

The per cent of total income that went into savings was from 2 to 4 percentage points above that of pre-war peak prosperity years but was considerably lower than that reached during the war years. This decline in the per cent of total income being saved reflects both a decline in total income and high consumer expenditures.

Trade—Following an expansion of consumer spending for goods in April that raised retail dollar volume to the highest level in 1946, retail volume in May declined only slightly. Despite this decline volume continued very high and was estimated to be from 20 to 25 per cent above that of May a year ago.

Generally inclement weather through a large part of the country along with shortages of some commodities and greater consumer selectivity during May than in previous months were largely responsible for the decrease in retail volume. The demand for staple articles rose with the advent of the railroad strike and remained high after it was settled. The effects of other strikes were not felt immediately at the retail level.

Total wholesale volume in May was maintained at almost the same high level as that of April and was estimated to be about 20 per cent above that of a year ago. New order volume rose as buyers began placing orders for Fall apparel and was further expanded by the raising of quotas on some durable

Consumers' Price Index

Index: 1935-1939 = 100; U. S. Bureau of Labor Statistics

	1943	1944	1945	1946
January	120.7	124.2	127.1	129.9
February	121.0	123.8	126.9	129.6
March	122.8	123.8	126.8	130.4
April	124.1	124.6	127.1	130.4
May	125.1	125.1	128.1	131.5*
June	124.8	125.4	127.5	
July	125.2	126.1	129.4	
August	123.4	126.4	129.3	
September	123.9	126.5	128.9	
October	124.4	126.5	128.9	
November	124.2	126.6	129.3	
December	124.4	127.0	129.9	

* Approximation; figure from quoted source not available.

goods. Despite an interruption of deliveries caused by the two-day rail strike, inventories were slightly above those of a year ago and there was an increase in the supply of some previously scarce items such as electrical appliances.

Prices—A substantial rise in the price ceiling of grain coupled with higher ceilings on a number of non-agricultural products resulted in an increase of 1 per cent in the wholesale price level during May. The largest gains of the month were in prices of textile products, farm products, and raw materials with slight advances in almost all other groups. The wholesale commodity price index (U. S. Bureau of Labor Statistics, 1926 = 100) was estimated to be 111.1 for May, 4.8 per cent above the May index a year ago and higher than any monthly index since January 1921 when it stood at 114.0.

Prices to consumers continued the upward trend that was evident during the war years and were more than 30 per cent above the 1939 yearly average. Rising prices of fruit, vegetables, eggs, and clothing were responsible for the bulk of the increase; food prices reached a level equal to the wartime peak that occurred in the Summer of 1943.

The consumers' price index (U. S. Bureau of Labor Statistics, 1935-1939 = 100) was estimated to be 131.8 for May, an increase of slightly less than 1 per cent over the April figure of 130.9 and 2.2 per cent above that of May 1945.

Finance—the prospect of impaired earning possibilities with an accompanying decline in stock prices during the early part of May was replaced during the last half of the month by a general increase in the composite average of stock prices as some labor difficulties were overcome and expectations of fu-

ture production gains rose. There were general price rises in both industrials and utilities but the largest percentage gain was in railroad stock prices.

Industrial, commercial, and agricultural loans reported by Federal Reserve member banks in 101 cities were almost the same in May as in April; loans outstanding, averaging about \$7.5 billion during May, were consistently higher by about \$2 billion than during the corresponding weeks a year ago. Excess reserves declined steadily through May; they were estimated to be \$700,000,000 on June 5 or 22 per cent below those of the previous month and 41 per cent below the \$1,180,000,000 excess reserves of June 7, 1945. Money in circulation increased slightly during the month and was \$28.1 billion at the end of May, the highest since mid-January, as compared with \$26.5 billion a year ago.

Business Population—After increasing steadily through 1944 the total number of businesses expanded rapidly during 1945 and the first quarter of 1946 reflecting the growing movement to enter into business. The tendency has become increasingly evident since the cessation of hostilities last Summer. The number of businesses rose from 3,134,100 on September 30, 1945 to 3,234,800 on December 31, 1945, reports the U. S. Bureau of Foreign and Domestic Commerce. The number of new businesses established during the fourth quarter of 1945 rose to 137,400 or nearly 30 per cent above the third quarter.

The increase in new businesses in the last quarter of last year affected all major groups; the largest rise was in the retail trades where the total of new businesses was 67,900 or 46 per cent above that of the third quarter. The

second largest increase among the major groups was the 32 per cent rise in new service industries. Contract construction, mining and quarrying, and manufacturing attracted larger percentages of new businesses in the last quarter of 1945 than in the third quarter; percentage increases were 19.4, 12.5, and 9 respectively.

That this trend has continued into 1946 was substantiated in a recent study on new business incorporations prepared by DUN & BRADSTREET, INC. and based upon reports by the State Departments of 42 States. According to this study the 32,567 corporations chartered during the first quarter of 1946 exceeded by far the previous peak which

Industrial Stock Prices

Monthly Average of Daily Index; Dow-Jones

	1943	1944	1945	1946
January	121.52	137.74	153.05	199.00
February	127.40	135.97	157.13	199.46
March	131.15	139.07	157.22	194.37
April	134.13	137.19	160.41	205.81
May	138.60	139.22	165.8	206.53
June	141.25	145.46	172.33	
July	142.90	148.37	163.96	
August	136.34	145.27	166.16	
September	134.10	145.20	177.96	
October	138.25	147.68	185.07	
November	132.66	146.88	190.22	
December	134.57	150.35	192.74	

occurred in 1929 and was 56.8 per cent above the third quarter of 1945.

Failures—The number of business failures rose in May after a two-month decline. Concerns failing, at 92, were more numerous than in any month of 1945 and were equalled only in February in this year. Although the number of failures was one and a third times as high as in May last year, it was lower than in any other May on record. DUN's Insolvency Index, projecting this monthly failure rate to an annual basis, indicated 4.5 concerns failing per 10,000 businesses.

The liabilities involved in failures occurring in May were a little lower than in the previous month; they aggregated \$3,656,000 and were the highest volume of losses reported in the month of May in four years. The rise in liabilities came entirely from large failures with losses of \$25,000 or more, which were more than twice as numerous as in the previous May. The number of small failures, on the other hand, continued a downward trend. In no month since January 1943 have there been so many failures in the large size groups.

Wholesale Commodity Prices

Index: 1946 = 100; U. S. Bureau of Labor Statistics

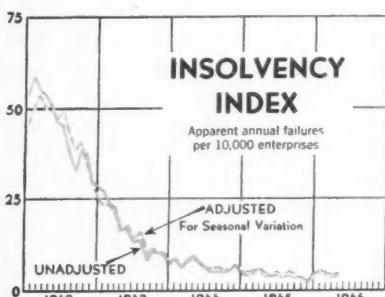
	1943	1944	1945	1946
January	101.9	103.3	104.9	107.1
February	102.5	103.6	105.2	107.7
March	103.4	103.8	105.3	108.9
April	103.7	103.9	105.7	110.2
May	104.1	104.0	106.0	111.1*
June	103.8	104.3	106.6	
July	103.2	104.1	105.9	
August	103.1	103.9	105.7	
September	103.1	104.0	105.3	
October	103.0	104.1	105.9	
November	102.9	104.4	106.8	
December	103.2	104.7	107.1	

* Approximation; figure from quoted source not available.

SIGNIFICANT INDICATORS

COMPILED BY THE PUBLISHERS OF "DUN'S REVIEW"

More detailed figures appear in DUN'S STATISTICAL REVIEW.



THE FAILURE RECORD

	May 1946	Apr. 1946	May 1945	Per Cent Change
DUN'S INSOLVENCY INDEX*				
Unadjusted	4.7	4.5	4.4	+ 7
Adjusted, seasonally	4.5	4.1	4.2	+ 7
NUMBER OF FAILURES....	92	81	72	+ 28
NUMBER BY SIZE OF DEBT				
Under \$5,000....	26	26	27	- 4
\$5,000-\$25,000....	27	27	28	- 4
\$25,000-\$100,000....	30	19	13	+131
\$100,000 and over....	9	9	4	+125
NUMBER BY INDUSTRY GROUPS				
Manufacturing	41	34	26	+ 58
Wholesale Trade	4	10	6	- 33
Retail Trade	26	25	28	- 7
Construction	8	7	7	+ 14
Commercial Service	13	5	5	+160
(Liabilities in thousands)				
CURRENT LIABILITIES....	\$3,656	\$3,785	\$2,208	+ 66
TOTAL LIABILITIES....	\$3,931	\$3,995	\$2,208	+ 78

* Apparent annual failures per 10,000 enterprises.

† Per cent change of May 1946 from May 1945.

FAILURES BY DIVISIONS OF INDUSTRY

(Current liabilities in thousands of dollars)	Number		Liabilities	
	Jan. 1946	May 1945	Jan. 1946	May 1945
MINING, MANUFACTURING...				
Mining—Coal, Oil, Misc...	9	10	1,064	1,819
Food and Kindred Products	12	6	591	196
Textile Products, Apparel	17	10	252	94
Lumber, Lumber Products	22	22	612	1,150
Paper, Printing, Publishing	3	7	96	36
Chemicals, Allied Products	9	6	307	33
Leather, Leather Products	2	3	159	23
Stone, Clay, Glass Products	4	4	208	164
Iron, Steel, and Products	7	14	403	648
Machinery	52	16	4,167	792
Transportation Equipment	10	12	479	997
Miscellaneous	33	19	1,208	1,396
WHOLESALE TRADE...				
Food and Farm Products	12	8	1,210	186
Apparel	2	2	14	26
Lumber, Bldg. Mats., Hdwr.	2	2	208	101
Chemicals and Drugs	3	1	30	2
Miscellaneous	17	12	616	141
RETAIL TRADE...				
Food and Liquor	18	27	164	169
General Merchandise	8	7	142	40
Apparel and Accessories	21	16	292	142
Furniture, Furnishings	5	4	57	15
Lumber, Bldg. Mats., Hdwr.	5	8	47	46
Automotive Group	21	16	958	110
Eating, Drinking Places	23	55	384	445
Drug Stores	4	9	19	80
Miscellaneous	12	18	281	148
CONSTRUCTION...				
General Bldg. Contractors	10	9	500	969
Building Sub-contractors	36	31	421	431
Other Contractors	1	2	200	113
COMMERCIAL SERVICE...				
Highway Transportation	16	13	2,944	2,898
Misc. Public Services	..	2	..	74
Hotels	1	1	687	461
Cleaning, Dyeing, Repairs	5	2	25	41
Laundries	3	1	205	15
Undertakers	2	1	8	16
Other Personal Services	8	2	24	5
Business, Repair Service	16	41	130	105

	42	1,130	1,513
General Bldg. Contractors	10	9	500
Building Sub-contractors	36	31	421
Other Contractors	1	2	200
Commercial Service	51	37	4,029
Highway Transportation	16	13	2,944
Misc. Public Services	..	2	..
Hotels	1	1	687
Cleaning, Dyeing, Repairs	5	2	25
Laundries	3	1	205
Undertakers	2	1	8
Other Personal Services	8	2	24
Business, Repair Service	16	41	130

WHOLESALE FOOD PRICE INDEX

The index is the sum of the wholesale price per pound of 31 commodities in general use:

1946	1945	1946
June 25, \$4.35	June 26, \$4.11	High June 18
June 18, 4.35	June 19, 4.11	Low 4.12 Jan. 22
June 11, 4.21	June 12, 4.10	1945
June 4, 4.21	June 5, 4.08	High \$4.16 Nov. 27
May 28, 4.20	May 29, 4.08	Low 4.04 Sept. 4

DAILY WHOLESALE PRICE INDEX

The index is prepared from spot closing prices of 30 basic commodities. (1930-1932 = 100).

June	May	Apr.	Mar.	Feb.
1....	194.81	188.08	188.44	185.19
2....	186.00	188.99	185.50	183.38
3....	195.65	189.16	189.22	187.10
4....	195.19	189.16	187.07	183.73
5....	195.19	189.25	187.02	183.40
6....	195.15	189.13	186.73	183.69
7....	195.66	189.28	187.10	183.84
8....	195.72	189.34	186.63	184.07
9....	186.40	189.46	186.85	184.24
10....	196.11	189.38	186.63	186.78
11....	195.79	189.29	187.35	184.52
12....	196.23	187.74	186.75	186.75
13....	196.45	194.41	189.04	186.60
14....	196.28	194.23	186.65	184.43
15....	196.40	193.84	189.14	186.70
16....	194.01	189.09	187.15	184.65
17....	198.80	193.80	189.06	187.10
18....	198.33	193.69	189.45	187.30
19....	198.70	197.00	187.26	185.12
20....	198.52	194.01	189.50	187.27
21....	198.65	194.11	187.49	184.56
22....	198.74	194.20	189.24	187.54
23....	194.10	189.48	187.67	186.70
24....	198.81	194.36	189.38	187.55
25....	199.15	194.41	187.61	184.47
26....	198.15	189.15	187.50	184.48
27....	194.33	189.30	187.78	185.18
28....	194.58	189.03	188.03	185.33
29....	194.59	189.03	188.47	187.17
30....	194.91	188.91	188.17	187.17
31....	194.71	187.00	187.00	187.00

* Sunday. * Market closed.

BANK CLEARINGS—INDIVIDUAL CITIES

	(Thousands of dollars)	May	%
Boston	1,826,127	1,604,367	+13.8
Philadelphia	3,226,000	2,969,000	+ 8.7
Buffalo	274,012	282,199	- 4.3
Pittsburgh	1,007,780	1,160,568	-13.2
Cleveland	986,326	997,915	- 1.2
Cincinnati	551,265	531,482	+ 3.7
Baltimore	840,603	694,474	+21.0
Richmond	300,213	342,438	+14.0
Atlanta	867,200	685,000	+17.8
New Orleans	437,606	373,606	+17.1
Chicago	2,034,775	2,153,327	+12.0
Detroit	1,322,864	1,386,557	-17.1
St. Louis	105,063	823,523	+10.0
Louisville	359,828	319,383	+12.7
Minneapolis	722,118	614,605	+25.6
Kansas City	972,293	849,309	+ 8.7
Omaha	361,044	322,965	+11.8
Denver	328,047	362,955	+24.8
Dallas	680,457	549,722	+24.4
Houston	570,611	379,311	+19.0
San Francisco	1,426,014	1,343,042	+14.7
Portland, Ore.	338,727	318,220	+ 6.4
Seattle	370,310	428,007	-13.5
Total 23 Cities	21,301,083	10,739,459	+ 7.9
New York	30,016,003	27,739,486	+ 8.2
Total 24 Cities	51,317,086	47,475,043	+ 8.1
Daily Average	1,073,734	1,825,998	+ 8.1

BUILDING PERMIT VALUABLES—215 CITIES

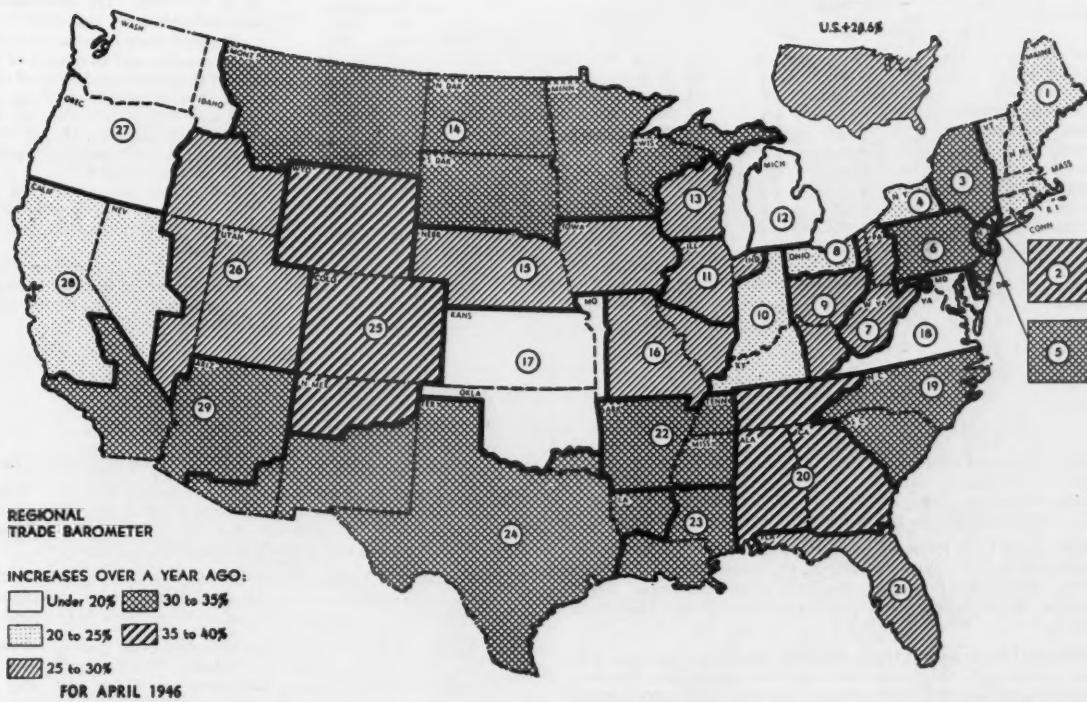
Geographical Divisions	May	%	
1946	1945	Change	
New England	\$14,056,634	\$5,710,612	+41.6
Middle Atlantic	50,059,245	15,083,606	+291.5
South Atlantic	19,261,538	5,825,219	+230.7
East Central	39,303,722	10,119,036	+105.9
South Central	25,339,578	13,048,403	+94.2
West Central	14,518,559	3,719,006	+200.4
Mountain	6,043,103	2,863,844	+115.5
Pacific	46,616,895	13,087,306	+256.2
Total U. S.	\$224,259,274	\$75,397,122	+197.4
New York City	\$42,376,957	\$11,104,645	+280.3
Outside N. Y. C.	\$181,882,317	\$64,292,477	+182.9

Almost half of the month's failures were concentrated in manufacturing. Forty-one manufacturers failed, the highest number in this industry group in over three years. Failures in retailing, at 26, fell far short of the total in manufacturing, but were more than twice as numerous as in any other trade or industry group. Compared with May last year, a sharp upswing occurred in manufacturing with one and one-half times as many failures; in commercial service there were two and one-half times as many failures. In construction, wholesaling, and retailing the number of concerns failing did not vary from the 1945 level by more than one or two.

Failures in machinery manufacturing continued an upward trend rising to 15. Five concerns failed in each of three retail lines—apparel, automotive, and eating and drinking places. Except for an upswing in the machinery industry to three times the number a year ago and a decline in food retailing and eating and drinking places to half the failures occurring last year, there were no marked changes from 1945 in any individual lines of trade or industry.

Some two million dollars of liabilities in May were involved in manufacturing failures. Five lines in this industry group had failures with aggregate losses exceeding \$100,000: mining, food, chemicals, leather, and machinery. In retailing as well as in manufacturing, liabilities topped the million dollar level; they were concentrated mostly in the automotive trade and eating and drinking places. The only sharp change in any industry or trade group from the volume of losses in May of 1945 appeared in retail trade where liabilities were eight times as large as a year ago.

Among regions the Pacific States reported the largest number of concerns failing with the Middle Atlantic States ranking second. These were the only regions where more than twenty concerns failed. Failures in California were four times those of last May and outnumbered failures in New York twenty-three to fourteen. Liabilities were larger this May than a year ago in all regions except the New England and Mountain States.



RETAIL SPENDING AT NEW HIGH

The Trade Barometer (seasonally adjusted) rose to 237.4 in May from 247.3 in April. The barometers are compiled under the general direction of Dr. L. D. H. Weld, Director of Research, McCann-Erickson, Inc. Trade data are gathered by the local DUN & BRADSTREET, INC., offices.

RADE volume in retail establishments during the month of April topped all previous records for the month and was the highest for any month on record, with exception of December 1945. The United States Department of Commerce reported dollar volume of retail trade at \$7.4 billion in April, a gain of 35 per cent over the \$5.5 billion for April 1945. This figure was 3 per cent above the \$7.2 billion for March. Preliminary data indicate that retail volume for the country in May was approximately 25 per cent above May 1945, with the best gains in the Eastern and Middle Western sections of the country.

Consumer expenditures in April as measured by the DUN'S REVIEW Trade Barometer were nearly 29 per cent above the level of April 1945. This is one of the largest year-to-year increases in the barometer on record. The ba-

rometer stood at 247.3, another high point for the index, 2 per cent above the 242.4 (revised) for March. This barometer has been adjusted for seasonal variation and for the number of trading days in the month; 1935 to 1939 equals 100. The seasonally adjusted preliminary barometer for May was 237.4, a gain of 22 per cent over the 194.1 for May 1945.

In all of the 29 Trade Barometer regions there were substantial gains in the April 1946 barometers over those for April 1945. The smallest increase was in the Detroit Region (12), where consumer spending was depressed for many months following the end of the war by the automobile strikes. Other regions where the barometer increases over a year ago were considerably below the average for the United States were the Portland and Seattle Region (27), the Kansas City Region (17), and

the Maryland and Virginia Region (18). The largest barometer gains over April 1945 were in the Denver Region (25), the New York City Region (2), and the Atlanta and Birmingham Region (20). These year-to-year gains are among the highest on record for the barometers.

A mixed tendency was evident in the movement of the barometers of the 29 regions from March to April. In 16 of the regions, chiefly those in the Southern and Western parts of the country, the barometers gained over March and in 12 of them the barometers fell, while in one region, the Philadelphia Region (6), there was no change. The smallest gains were in the Denver Region (25), and the Memphis Region (22). The largest increases were in the Florida Region (21) and the Texas Region (24).

(Regional Reports on page 28)

REGIONAL TRADE BAROMETERS

REGION:	Apr. 1946	Apr. 1945	Mar. 1946	-% Change from	REGION:	Apr. 1946	Apr. 1945	Mar. 1946	-% Change from
United States	247.3	+28.6	+ 2.0		15. Iowa, Nebraska	232.2	+25.6	— 6.7	
1. New England	200.7	+22.5	— 1.2		16. St. Louis	225.0	+29.4	— 4.1	
2. New York City	242.1	+35.9	+ 4.8		17. Kansas City	233.7	+19.4	— 4.0	
3. Albany, Utica, Syracuse	221.1	+31.8	— 9.5		18. Maryland, Virginia	246.8	+19.8	— 1.6	
4. Buffalo, Rochester	247.4	+24.8	+ 6.6		19. North, South Carolina	257.7	+32.5	+ 4.5	
5. Northern New Jersey	199.3	+30.7	+ 0.6		20. Atlanta, Birmingham	323.7	+35.8	+ 3.7	
6. Philadelphia	228.4	+34.4	0		21. Florida	313.2	+29.0	+10.4	
7. Pittsburgh	215.7	+28.2	+ 2.3		22. Memphis	291.0	+33.9	+ 0.3	
8. Cleveland	230.4	+22.4	— 3.9		23. New Orleans	281.8	+31.4	+ 8.6	
9. Cincinnati, Columbus	252.3	+28.6	+ 0.4		24. Texas	325.0	+33.7	+11.1	
10. Indianapolis, Louisville	261.5	+24.5	+ 4.5		25. Denver	234.5	+36.3	+ 0.3	
11. Chicago	223.1	+25.3	— 3.2		26. Salt Lake City	264.5	+29.0	+ 3.2	
12. Detroit	227.0	+12.9	— 7.3		27. Portland, Seattle	277.0	+17.7	+ 0.4	
13. Milwaukee	254.3	+30.0	+ 3.6		28. San Francisco	260.8	+23.4	+ 1.0	
14. Minneapolis, St. Paul	220.6	+34.3	— 7.5		29. Los Angeles	280.6	+31.1	+ 3.3	

HIGHLIGHTS OF TRADE ACTIVITY

1. **New England Region**—Barometer gained considerably over a year ago but fell from a month ago; index below U. S. level. Wholesale trade moderately above a year ago. Manufacturing employment 5% above a month ago and at highest level since V-J Day.
2. **New York City Region**—Barometer gain over a year ago one of the largest in U. S. Wholesale volume 5% over a year ago in Bridgeport. New York City hotel sales 16% over a year ago. Slight increase in employment and payrolls in New York. Collections steady.
3. **Albany, Utica, and Syracuse Region**—Barometer had large gain over a year ago. Wholesale trade well above a year ago. Employment and payrolls well above a month ago upon settlement of strikes affecting the area.
4. **Buffalo and Rochester Region**—Barometer gained considerably over a year ago. Wholesale trade moderately over a year ago. Factory employment continued to rise over a month ago.
5. **Northern New Jersey Region**—Barometer gain over a year ago about average. Wholesale trade well above a year ago. Industrial employment for Elizabeth area 13% below a year ago.
6. **Philadelphia Region**—Barometer substantially above a year ago, unchanged from March. Wholesale trade well above a year ago. Employment and payrolls below a year ago; generally over last month. Number of employees in Trenton pottery industry well over a year ago.
7. **Pittsburgh Region**—Barometer gained over a year and a month ago. Wholesale trade well above a year ago. Factory employment and payroll levels over a year ago, and generally over a month ago. Steel production in May about 42% of capacity.
8. **Cleveland Region**—Barometer gain over a year ago under average for country. Wholesale trade about 10% over a year ago. Employment for Cleveland estimated moderately over January 1946. Steel rate for May at about 75% of capacity.
9. **Cincinnati and Columbus Region**—Barometer gain over a year ago equal to U. S. average. Wholesale trade about 15% over a year ago. Employment slightly over March.
10. **Indianapolis and Louisville Region**—Barometer had large gain over a year ago. Wholesale trade moderately over a year ago. Employment and payrolls generally rose from the March level.
11. **Chicago Region**—Barometer increased over a year ago but declined slightly from month ago. Wholesale trade generally well above a year ago. Employment and payroll changes from a month ago very small. Steel production at 55% of capacity.
12. **Detroit Region**—Barometer increase over a year ago less than average, one of largest drops from a month ago. Wholesale trade well above a year ago. Employment and payrolls under a year ago.
13. **Milwaukee Region**—Barometer gain over a year ago slightly above average. Wholesale trade above a year ago. Employment and payroll levels below a year ago.
14. **Minneapolis and St. Paul Region**—Barometer rose substantially over a year ago; decline from March largest in the country. Wholesale volume about 15% over a year ago. Sugar beets made record growth in Montana. Freight carloadings off sharply from a year ago.
15. **Iowa and Nebraska Region**—Barometer gain over a year ago below U. S. average, index fell sharply to 6% under U. S. level. Wholesale trade considerably over a year ago. Iowa employment
16. **St. Louis Region**—Index fell to 9% below U. S. Wholesale volume in St. Louis considerably above a year ago. Manufacturing output expanded somewhat. Unfavorable weather detrimental to wheat; pastures and livestock generally in good condition.
17. **Kansas City Region**—Index fell to 6% below U. S. level. Wholesale trade generally over a year ago. Kansas flour production about 32% below a year ago. Winter wheat progress fair to good.
18. **Maryland and Virginia Region**—Barometer gain over a year ago under average for country. Wholesale trade moderately over a year ago. Richmond cigarette production over a year ago. May postal receipts in Washington, D. C., highest for any month this year.
19. **North and South Carolina Region**—Barometer gain over April 1945 and a month ago well above average. Wholesale trade in most cities over April 1945. Charleston County banner cabbage crop brought record financial return. Pastures good.
20. **Atlanta and Birmingham Region**—Barometer gain over year and month ago well above average. Wholesale volume well above a year ago. Coal strike affected 21,000 miners and curtailed output.
21. **Florida Region**—Barometer had second highest gain over March. Wholesale trade well above a year ago. Tampa cigar production slightly over a year ago. Employment and payroll levels in Jacksonville under a year ago when shipyards and war plants were in operation.
22. **Memphis Region**—Barometer gain over April 1945 above average, index 18% above U. S. level. Wholesale volume little below April 1945. Arkansas employment at virtually same level as in March.
23. **New Orleans Region**—Barometer gain over a year and month ago above average. Wholesale trade slightly above a year ago. Number of veterans drawing unemployment compensation declined slightly from March peak. Operations in New Orleans port curtailed sharply.
24. **Texas Region**—Barometer increase over a year ago well above U. S. Wholesale volume over a year ago. Daily crude oil production 10% above a year ago. Texas livestock shipments twice March volume. Progress of cotton and wheat unsatisfactory.
25. **Denver Region**—Barometer gain over a year ago better than U. S. average. Wholesale trade moderately above a year ago. Winter wheat production about 1,000,000 bushels above 1945 in Denver area.
26. **Salt Lake City Region**—Barometer increase over a year ago average. Wholesale volume well above a year ago. Manufacturing hampered by strikes in coal and metal mining, and smelter industries. Several flour mills in Salt Lake City area closed due to wheat restrictions.
27. **Portland and Seattle Region**—Barometer gain over a year and month ago among smallest in country. Wholesale trade about 15% over a year ago. Lumber plants in Spokane area on reduced schedules.
28. **San Francisco Region**—Barometer gains over a year and month ago below average. Wholesale volume about 10% over a year ago. Employment considerably under a year ago in San Francisco area.
29. **Los Angeles Region**—Barometer gain over a year and month ago a little above average. Wholesale volume slightly above a year ago. Employment in Los Angeles area well below a year ago. Arizona farm prices 5 points above a year ago, up 1 point from April.

The Regional Trade Barometers are compiled under the direction of Dr. L. D. H. Weld. The barometers are seasonally adjusted; 1935-1939 = 100.

Regional trade information is based upon opinions and comments of business men gathered and weighed by the local DUN & BRADSTREET offices. Payroll and employment data are from Government sources. Most of the information summarized here represents final figures for April.

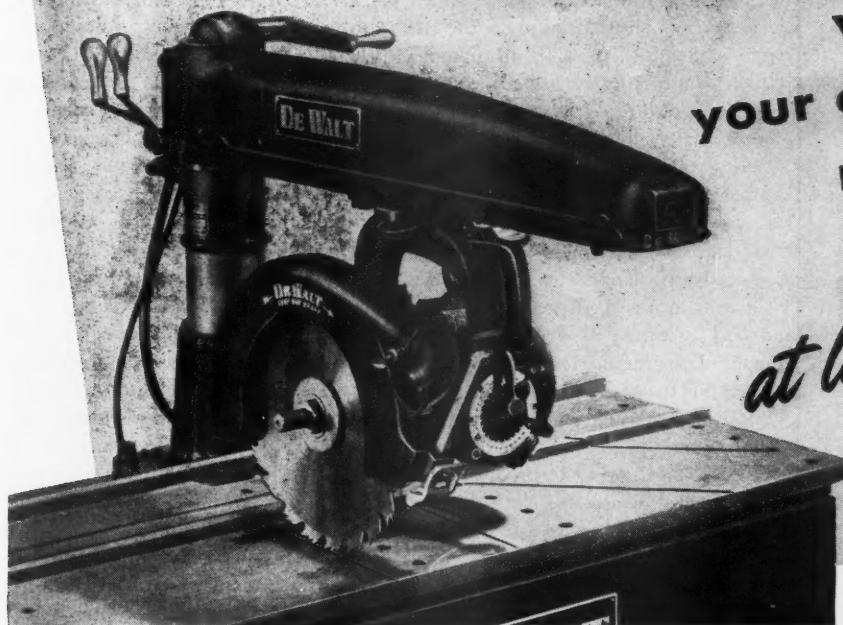
Department store sales are from the Federal Reserve Board and are for the four weeks ended May 28, 1946.

More complete barometer figures and more detailed regional information is published in DUN'S STATISTICAL REVIEW.

This famous, all-purpose, low-cost

DEWALT

will help
your company
reconvert
faster
at lower cost!



Make this model GE DeWalt the No. 1 tool on your reconversion equipment list!

This DeWalt is a precision-built tool for wood-cutting operations, capable of doing accurate variety work.

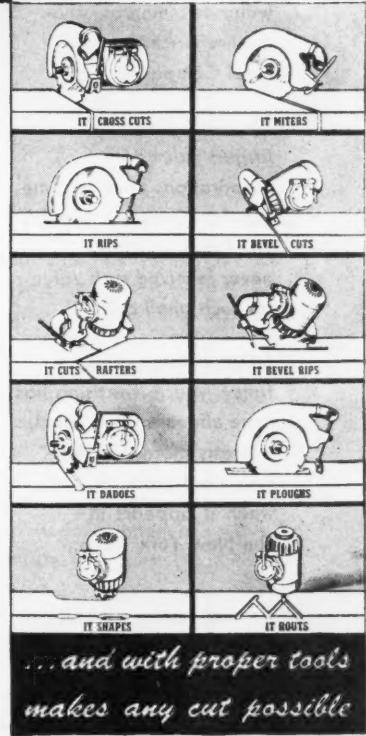
You should consider this machine first for general carpenter maintenance—for crating and boxing—for pattern work—and for construction inside or outside the plant.

DeWalt is the only power saw of its kind made that's backed with almost a quarter of a century's experience and specialization in the design, development and production of one machine.

It is the machine that will bring new standards of efficiency and production to your cutting jobs no matter how . . . where . . . or when you cut wood.

For complete information about the DeWalt line of world-famous radial power saws, write for our catalog. Address: DeWalt Products Corporation, 277 Fountain Avenue, Lancaster, Pa.

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... and with proper tools
makes any cut possible

\$500,000 Worth of Business

GREY IRON CASTINGS
AVAILABLE CAPACITY ANY WEIGHT
ALL TYPES MACHINE WORK WANTED
FREDERICK IRON & STEEL CO.
FREDERICK, MARYLAND

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Tiny in size and small in cost are these five lines of classified advertising which appeared in The New York Times . . .

Yet they produced \$500,000 worth of business within two months, says the Frederick Iron and Steel Company!

Some of America's largest industrial corporations have become regular customers through The Times. We have never received such value for such small cost."

Small or large, plain or fancy, your advertising has more effective distribution, interests more people, sells more products when it appears in The New York Times.

The New York Times

"All the News That's Fit to Print"

HERE and THERE in BUSINESS

BRIEFS ABOUT WHAT'S NEW IN INDUSTRY AND TRADE
AS OBSERVED BY THE AGENCY'S REPORTERS

Synthetic Rubber—"Silastic," a new silicone rubber manufactured by the Dow Corning Corporation, Midland, Mich., is available for many applications where articles made from conventional rubber deteriorate rapidly because of heat or weathering. It likewise permits simplification in the design of equipment and installations which of necessity have been complicated by the limited heat resistance of elastic materials previously available.

This rubber-like material, whose source is chemically modified sand, retains its elasticity at temperatures of 500 degrees Fahrenheit and upward and remains flexible at temperatures as low as minus 70 degrees. It can be molded or extruded into any desired shape. Uses include coating for glass cloth, metal, or wire as well as an electrical insulating material and for bonding in the manufacture of heat-stable, flexible, and waterproof laminations of glass or asbestos cloth.

Training Grocers—Outlines of a complete on-the-job training program designed to facilitate the entry of 75,000 veterans into the independent retail stores has been prepared by the National Association of Retail Grocers. The program is designed to aid the inexperienced veteran who wishes to earn while he learns, at the same time qualifying for Government subsistence.

The outlines are intended to give the grocer a clear indication of what must be covered to train an employee properly that the latter may be qualified for the position of department head, assistant store manager, journeyman meat-cutter, and other positions. The program leading to the position of assistant store manager is expected to take approximately three years if the trainee has had no previous experience.

The training program is divided under the headings of handling fresh produce, handling groceries, taking care of supplementary lines, proper checkout procedures, managerial duties, and outlines of training for the journeyman meat-cutter.

Training program outlines are avail-

able both to veterans and retail food merchants upon application to the National Association of Retail Grocers, 360 North Michigan Avenue, Chicago 1, Ill.

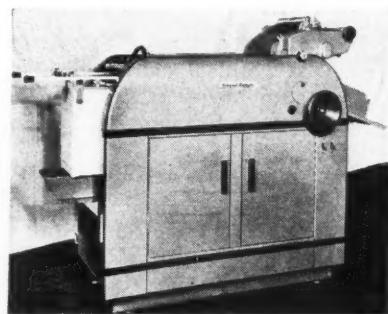
Helicopter—Newspapers maintain airplanes to fly reporters and photographers to the scene of spot news stories and airplanes are used by other business organizations to fly salesmen on highly competitive orders and executives to conferences. However, a new field for business use of planes is in rescue work.

The United-Rexall Drug Company has purchased one of the first Bell Model 47 Helicopters, made by Bell Aircraft Corporation at Niagara Falls. This will be completely stocked with emergency drug supplies, anti-toxins, rescue and aid equipment, and one of the newly developed plastic lungs. The "mercy ship" will be put into operation in southern California this Summer.

As the helicopter can take off and land vertically, enabling it to get into isolated spots, it is well suited for rescue and disaster relief work. Based in Los Angeles, the Rexall helicopter will be thoroughly tested for all kinds of relief missions.

Duplicator—A new multigraph engineered to eliminate waste in the reproduction and use of business forms for practically all phases of industrial or office operation is announced by the Adressograph-Multigraph Corporation, Cleveland.

With this model it is possible for every type of business to convert blank paper into any type of form needed without costly overruns and without



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YOU SEE
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Burroughs machines are used extensively by the Harris Trust and Savings Bank, Chicago—one of thousands of banks listed as satisfied Burroughs users.

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For more than fifty years, Burroughs has worked in close, continuous association with business men everywhere in helping them solve their figuring and accounting problems. The experience gained through this long association explains, in part, Burroughs' recognized ability to analyze office procedures and requirements . . . to make practical, carefully-thought-out recommendations . . . to select, install and apply the machines and methods that provide maximum accuracy and efficiency at minimum expense. This experience, plus Burroughs' continuing program of new machine developments to meet ever-changing business needs, is an important reason why you see Burroughs machines wherever you go.

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Filing Supplies—Albums—Decorative Catalog Covers

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HANSEN
TACKER*

EXTRA profits—increased production— come from using **right** methods. **HANSEN** is the right tacking method. It eliminates tack-splitting, hand-pounding or forearm devices. Why? It's faster, more efficient, more compact, does neater work.

Drives T-head Tacks up to 1/2"—the only Tacker that does! Models for driving two-pointed Tackpoints up to 1/2". Self-contained, ready for instant, continual action.

It pays to use the **right** tacking, fastening and assembling method. **HANSEN** is that method—as demonstrated in all types of industrial plants.

ask for
FOLDER

A.L. HANSEN MFG. CO. 3019 RAVENSWOOD AVENUE CHICAGO 40, ILL.

stocking large supplies of forms which may become obsolete through changes in methods and operations in the office or plant.

New features include an automatic vacuum-type paper feeder capable of handling weights and grades of paper from 13-pound bond to cardboard 1/16th of an inch thick. Other new features are ink fountain control, an ink roller cleaning device, faster ribbon feed, micrometer platen adjustment, wide paper stop fingers, needle and oilite bearings, and a cabinet stand which has doors on the operating side and storage racks for ink rollers, tools, and frequently used supplies.

Electronic Testing—Microwave tubes, used for wartime radar purposes as marker beacons, may through use of relatively simple waveguide systems be built into industrial production lines for innumerable inspection, control, and grading operations hitherto practically impossible, predicts Marcus A. Acheson, manager of the Advanced Development Laboratories, Sylvania Electric Products, Inc., Kew Gardens, N. Y.

The tubes, about 2 inches long and 5/8ths of an inch in diameter, are in the lower end of the microwave region, are most useful for frequencies between 1,000 and 3,000 megacycles, and have a power consumption of only a few watts.

While peacetime usage of these war-developed tools offers an almost unlimited field, Mr. Acheson points out that such usage is still in the imaginative stage. A related wartime usage of the tubes was in testing condenser oils.

"The microwave system," states Mr. Acheson, "might be arranged to accommodate the passage of many mass-produced products directly through the microwave circuit to indicate faults of structure, composition, degree of moisture content, impurities, surface hardness of metals, ripeness of fruits, and many other characteristics now requiring expensive laboratory testing and frequently involving the destruction of a percentage of production."

Due to their short wave length, these waves may be conducted through pipes and around corners like water, Mr. Acheson points out. If kiln-dried lumber were to be inspected, for example,

the microwaves would flow through a pipe at right angles to the conveyer line carrying the timber. If lumber were properly seasoned the waves would pass through the material and into the pipe beyond, the low loss resulting in a high reading on the attached commercial meter. In the case of green lumber there would be a greater loss of the waves and consequently a lower meter reading.

Glamour—The nation's retailers are being offered glamour in a most unexpected form. The once humble fly-swatter, in a new all-plastic dress, perfumes the air as it kills the flies. Small vents at the top of the handle permit the air to be perfumed as the tool is wielded. It is possible to impregnate the wick with the user's favorite scent.

The pad, in translucent red, is molded of Geon plastic raw materials manufactured by the B. F. Goodrich Chemical Company, Cleveland. The handles, offered in eight colors, are of cellulose acetate. The product is merchandized by the Odor-Swat Company, Brecksville, Ohio, and assembled by the Plastic Engineering Company, Cleveland.

Bore Gage—A new instrument which uses the flow of air to measure accurately to 1/10,000th of an inch and which will simultaneously gage bore diameters of an automobile cylinder block at 32 points for "go" and "not go," the entire gaging operation taking less than 60 seconds, has been built by the Sheffield Corporation, Dayton, for the Buick Division of General Motors. The instrument checks for diameter, taper, and out-of-roundness of eight cylinder bores at four different



Motor block is in gaging position and the eight spindle assemblies are inside the cylinder bores. The dimensions checked at four spots of each cylinder bore are indicated by the floats in the 32 tubes at the top of the illustration.

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Use Our Money to Build Your Business

Who?

Manufacturers, wholesalers, retailers.

When?

At seasonable peaks; to take advantage of cash discounts; to increase working capital; to pay taxes, retire mortgages, etc.; to buy out minority interests; to acquire increased plant facilities and new products...in short to build your business.

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In the past three years, thousands of business firms have borrowed more than 300 million dollars from General. Making money—saving money—through their relationship here. Discuss your needs with us. We can help you.

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**WE'LL TURN
THE STATE
UPSIDE
DOWN
FOR YOU!**

We're so certain your business will prosper in South Carolina that we'll turn the state upside down to help you get located. First, we give you facts . . . detailed, reliable, specific. But we don't stop there! We offer every cooperation to help you get the greatest benefit from the numerous natural resources of this state. During the past year, 150 new industries chose South Carolina, but there's room for thousands more! Write State Research, Planning & Development Board, Dept. L, Columbia, South Carolina.



points in each cylinder and accurately classifies them to .0003 inches.

When the cylinder block has been delivered to the machine by the conveyer line, the cylinders are aligned automatically after which the eight cylinder bores are entered by eight spindle assemblies which elevate automatically. Each assembly consists of four spindles which float independently to allow for tolerances in hole spacing. Upon reaching the limit of travel, the spindle automatically stops and can be manually rotated through 180 degrees for out-of-round inspection. If interference is encountered by any one of the sets of spindles the machine will stop and a red light indicates the incorrect cylinder bore.

Located at eye level are 32 indicating tubes, each spindle assembly having four tubes to indicate its findings. A scale graduated in .0003 inches and marked off in selection sizes of numbers from 1 to 10 is located to the right of the right-hand tube in each set.

During the gaging of the block, the floats instantaneously fall in the tubes to a position opposite the number on the scale. The movable tolerance slide is positioned to see if all four floats are within the out-of-round and taper limits which are .0007 inches. If so, the selection size is indicated by the number opposite the float in the right-hand tube. By using a marking device mounted directly above each of the eight cylinder assemblies this number is manually stamped on the engine block directly beside the cylinder bore so classified.

Smoke—Control of smoke from railroad locomotives is now possible through the use of improved steam-air jets and silencers developed by Battelle Memorial Institute, Columbus, Ohio, for Bituminous Coal Research, Inc., national research agency of the bituminous coal industry. Air jets also may be used to improve combustion in commercial and industrial boilers.

In locomotives, the steam-air jets force streams of air over the fire-bed. The air mixes with the coal gases to improve combustion of those elements which otherwise would pass off as smoke. In stationary boilers, a fan rather than steam is used to force air through the jets and over the fire-bed.

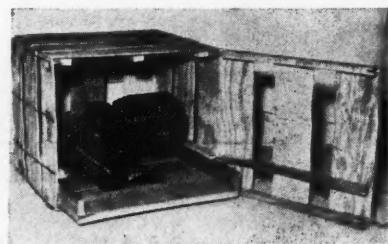
Demonstrations, the most recent of which was staged in Pittsburgh by the Pennsylvania Railroad have shown that an engine stack is completely cleared of black smoke within a few seconds after the jets are placed in operation. Air jets for this purpose are not new, but early attempts were unsuccessful because of waste of steam and objection by the locomotive crews to the noise.

Industrial Films—A concise over-all picture of the value of sound films to industry is presented in a 24-page 6 by 9-inch booklet available from the Bell & Howell Company, Chicago 45. The text is supplemented by a chart showing not only the primary uses of films and equipment, and secondary uses of such material for increasing investment return.

Entitled "Movies Go to Work," the pamphlet contains pointers on the production and judicious use of films for training new and stimulating old salesmen, rapid and effective development of production skills in workers, improving personnel relations, and selling one's product.

Packaging—Among the new developments exhibited at the packaging conference of the American Management Association was a removable base in a wire-bound crate which permits the crate to be used over again as many as 12 times. Designed for a speed reducer produced by the Janette Manufacturing Company, Chicago, the same crate can accommodate four different sizes of equipment.

Intermediate cleats hold down the sliding base on which the machinery is bolted and prevent the article from shifting even if the crate should be turned upside down. The crate is made of 3/16-inch veneer instead of the veneer formerly used, reducing shipping weight and cost of the crate.



NEW LOW RATES TO ALL FOREIGN COUNTRIES FROM ANY TELEGRAPH POINT IN THE UNITED STATES

This reduction makes available to *all* communities the same low rates that apply to the "gateway" cities of New York and San Francisco.

Supplementing recent reductions on international radio-telegraph messages, rates to British Empire points—which include Australia, Ceylon, Hongkong, India, New Zealand, Palestine, Singapore, South Africa—have been reduced as of **June 1, 1946.**

Telegrams to foreign countries filed at Western Union offices will also benefit under the new schedule. Such messages, when marked "Via RCA" (no extra charge), will be billed at the **REDUCED RATES.**

Messages sent "Via RCA" from any telegraph point in this country to any part of the world will cost

—NOT MORE THAN—
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Look at ... see how these 3 basic

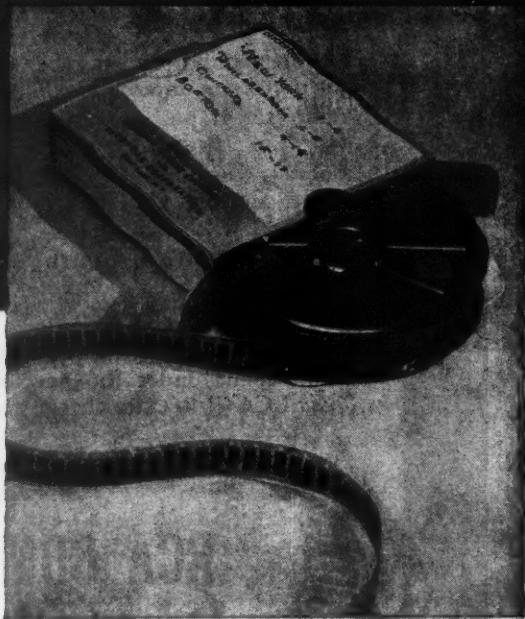
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By reproducing records photographically . . . automatically . . . Recordak improves existing accounting methods, points the way to new and more efficient systems.



2 Transferring Information

By making it unnecessary to transfer data laboriously from one record to another . . . eliminating transcription errors . . . Recordak brings new speed and accuracy to this procedure.



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the photographic business machine . . . basic as the typewriter

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3 Record-Keeping

By condensing files into 2% of their former space . . . making them easy to refer to for checking or copying . . . Recordak simplifies and speeds record-keeping.



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In accounting, it's usually the complexity of the system that keeps output low, costs high . . .

Through the application of Recordak microfilming, you can either "screen out" these complexities...or develop new systems that will be the last word in simplicity, efficiency, and economy.

In transferring information, it's the laborious copying that slows things down . . .

Recordak brings photography's speed and accuracy to this operation: reproducing documents automatically . . . as fast as they are fed into the machine...costs only a fraction of a cent per item.

In record-keeping, it's the sheer bulk of accumulated records that "eats up" valuable space and complicates filing systems . . .

Recordak microfilming does away with 98% of this bulk . . . gives clerks a fingertip film file that makes records instantly available for reference or copying.

For a closer, longer "look" at this surprisingly low-cost machine . . . at the success it has had in simplifying these three basic business operations for many leading companies . . . write for the new, free book—"50 Billion Records Can't Be Wrong."

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Please send me your new book about Recordak
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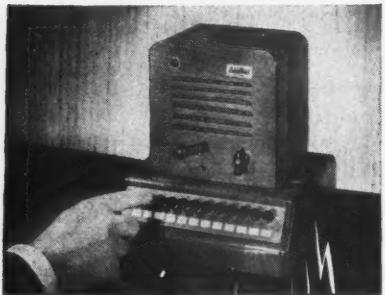
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4



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EXECUTONE reduces inter-office traffic... frees your switchboard for important outside calls... speeds up production all along the line. The coupon below will bring you the whole story.

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415 Lexington Ave., New York 17, N. Y.
I am interested in data on EXECUTONE.
 Please send literature.
 Have representative call. No obligation.

Name _____

Firm _____

Address _____

City _____

MARKETING IN WAR AND PEACE

(Continued from page 14)

noises, but they too are anxious to avoid the economic convulsions which heretofore, without exception, have attended the ascent of this country from the depths of war. The problem of escaping inflation during this transition is essentially a *problem of business management*, realistic fiscal policy, and appropriate use of direct controls. In this stage we do not have to worry about employment and we do have to worry about the huge excess of demand over supply in the neighborhood of present prices—a supply which may be somewhat less than possible because of the cramping effect of controls, but is on any conceivable basis grossly inadequate. Our only present concern is with the hazards of the next critical period in economic thinking.

Our Past Record

It comes almost as a shock to realize that in the past our economic system, even when left completely to itself, has almost always given employment to the bulk of the labor force. Even in the wretched circumstances of 1932, blinking at the problem of part-time employment and dubious categories of self-employment and pseudo-farmers, we did not do worse than 75 per cent. The great issues are of magnitude and lie between this level and, say 95 per cent. I have already emphasized the accelerated rate of growth in the pressures (and therefore controls) necessary to push employment and general welfare toward ideal peaks. Thus, during the war period itself, man-hours of employment rose not more than two-fifths

as rapidly as total expenditures; and in 1944 it seems to have taken about five times as much spending to provide the last million man-years of employment as were required on the average to employ the whole labor force.*

Within the context of the spending issue, the economic authorities have speculated deeply on the implications of this fact, and upon similar (though much less pronounced) developments in pre-war cyclical upswings. Thus, both Professor Slichter and Professor J. M. Clark have observed that beyond a certain point additional spending tends more to raise prices and wages than to increase employment. Professor Haberler and others, turning the coin over, have laid emphasis upon the fact that there are both types and areas of structural unemployment that one could not mend simply by increasing total overall expenditures. Inquiry into the likelihood of a need for supplementary measures—spot spending, direct controls, and policies designed to render the cost-price structure more flexible—is then almost inevitable.

Slichter has said, apropos of the Murray Bill, that if attempts were made to put the last 10 to 15 per cent of the labor force to work by general public spending, price movements could not be relied upon to govern the allocation of resources. Similarly, Haberler's conclusion was that continuous maintenance of literally full employment would entail perpetuation of all the fea-

* See Slichter: "Comments on the Murray Bill," *Review of Economic Statistics*, August 1945, page 111. It is doubtful whether the figures themselves can be taken at face value, but the main point remains valid.

COMMODITY PRICES AND OTHER CHARTS

THE MOST RECENT in the series of chart sheets published with the DUN & BRADSTREET REFERENCE BOOK is *Commodity Prices in Three Important War Periods in U. S. Economy*. In six charts there are graphically compared variations of wholesale commodity prices, group indexes, and business indicators during the periods of the Civil War, World War I, and World War II. A seventh chart shows the wholesale price index since 1749. Copies of this chart sheet are available upon request while the supply lasts. Two earlier chart sheets—*Trends in American Business for 30 Years* and *Commercial Failures in the U. S.—1857-1945 Inclusive*—also will be sent to readers of DUN'S REVIEW who wish them.



How Two Loans Helped a Business Grow 1500%

WHEN War broke out, one of the first firms the Navy turned to for help was the Pollak Manufacturing Company.

Organized in 1923, it had 400 employees at the outbreak of the War. Its annual sales totaled about \$2,000,000, chiefly from the sale of ordnance to the Government.

The Company was asked to increase its output of such precision products as percussion fuzes, bomb racks, smoke-screen tanks, and generators. To do this, it needed new financing. The Bank of the Manhattan Company provided a loan and helped with counsel based on the wide business experience and contacts of its officers.

The firm expanded and production increased. Two years later, ad-

ditional funds were needed. Again, the Bank of Manhattan helped out. Eventually, the Pollak Company's annual sales volume reached \$30,000,000, and its personnel grew to 4,800. It not only produced but invented many vital war items, trained other contractors and was one of the first companies to receive the Army-Navy "E" Award with five stars.

Although the war is over, Pollak

is still moving ahead. Its wartime loans have been liquidated. Aided by the Bank of Manhattan, it is buying another plant, larger than all its prewar plants combined, to be used for the production of a new line of peacetime products.

The Bank of Manhattan has assisted many firms, such as the Pollak Company, with loans, and equally important—with helpful, understanding advice.



**Bank of the
Manhattan Company**

NEW YORK

COMPLETE TRUST SERVICE

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

GENERAL MOTORS NEW PLANT SITE IN LOS ANGELES ...

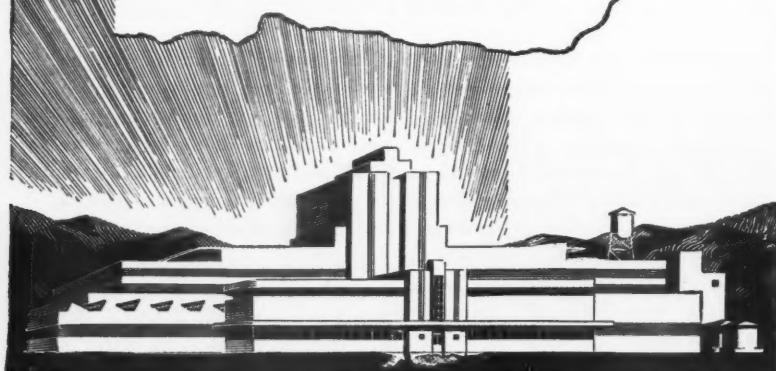
Purchase by General Motors of a 125 acre site in San Fernando Valley—one of the ten industrial areas in Los Angeles—for a new Chevrolet assembly plant is further evidence of the strong pull that Los Angeles exerts on American industry.

With this latest addition, Los Angeles assembles 13 makes of cars against 14 for Detroit. More than ever, Los Angeles is the Nation's Number Two automobile center.

All industry can profit by the example of the highly competitive automobile industry. These companies* found it desirable to locate branch plants in Los Angeles because this city offers more in markets... in quantity and quality of labor... and in preferred living and working conditions than any other city in the West.

Los Angeles is moving ahead with seven-league strides but there still is time to get in step with our industrial progress. Let us tell you the whole story.

*The Los Angeles metropolitan area now includes facilities and plans for assembling these makes of cars: Buick, Chevrolet, Ford, Frazer, Kaiser, Lincoln, Mercury, Nash, Oldsmobile, Pontiac, Plymouth, Studebaker and Willys-Overland.



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tures of a war economy. Clark, too, noting the possibility of a wage-price spiral, suspects that the only escape from cumulative inflation under a full employment spending policy would be to maintain ceiling controls over wages and prices as a permanent peacetime device. And in his comments on Sir William Beveridge's recent proposals, Dr. John Williams has made it clear that, in his view, "insistence on a really full utilization of resources would require in peace, as it has in wartime, the use of direct controls."* It is in part at least for these reasons that such men, and many of their fellows, draw the line at underwriting.

Test of Direct Controls

What prospect is there that these speculations will be put to a test? Very little as yet. The struggle to maintain even the moderate authority thought essential in dealing with the post-war continuity of war problems is sufficiently eloquent on this point. In terms of long run policy, the first Murray Bill represents perhaps the extreme in our national political thinking to date, although some yearnings behind that measure were doubtless suppressed to mollify opposition. With its defeat, the short-term fate of "underwriting" plans seems to have been settled. But the basic issue cannot be shelved quite so easily.

If England should by any chance be regarded as a long run pacemaker in democratic adjustment to social problems, much food for thought is to be found in its recent "underwriting" literature. This is true not only in the blueprint developed by Beveridge in his *Full Employment in a Free Society*, (and Sir William is a Liberal not a Laborist), and in the Government White Paper on *Employment Policy*, but in the widely publicized creed of leading economists, political scientists, public servants, and business men under the title: *Employment Policy and Organization of Industry After the War*. And this nation, with considerable business assent and in part under business leadership, is at the moment deeply committed to a helping-hand policy. Beyond that policy await the underwriters, hopeful, and perhaps even confident, that in the event of another

*Financing American Prosperity, page 354, fn. 32.



the Continental Can Company saves time and simplifies accounting with *National's*

This well-known concern uses National Payroll machines to make and distribute its weekly payroll. These machines greatly simplify the making of all payroll records including social security and state unemployment reports. They are also used to make the labor distribution. The use of these machines has effected a great saving over the former method of preparing payrolls and making distribution.

The National Payroll Machine makes the following records simultaneously. First, the individual payroll checks and pay statement, each showing the gross pay, the deductions for the current pay period, the net pay and cumulative figures for earnings and withholding tax.

Second, an individual earnings record for each employee with cumulative figures available for tax reports. And third, a payroll sheet and check register.

All entries are clear and legible. All printings are originals and identical, thus obviating discrepancies due to human error.

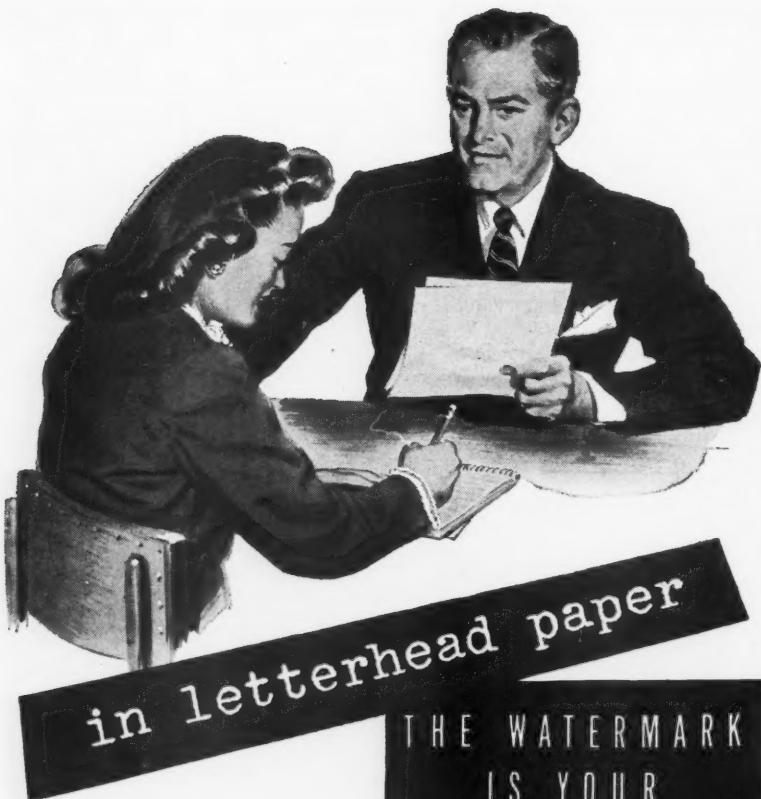
National Accounting Systems serve the accounting needs of businesses of every size and type. National Accounting Bookkeeping Machines do not require specially trained operators, and they meet the needs of individual plant practices, methods, and deductions. The National Cash Register Company, Dayton 9, Ohio.



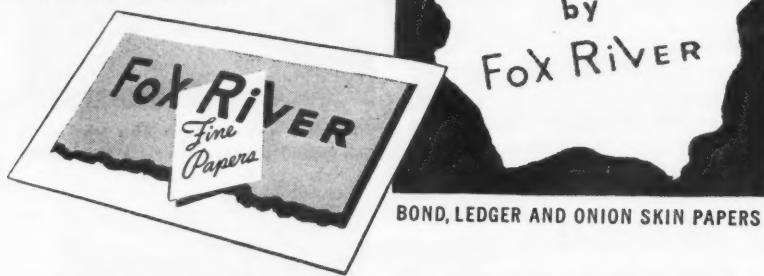
*View of a National Accounting Machine in
the payroll department of the Continental
Can Company.*



Making business easier for the American businessman



- Yes, you'll have one of the finest letterhead papers available if the watermark answers these three questions. Dictation, English, Old Badger and Anniversary Bonds are cotton fibre papers made by Fox River.
- The finest papers are made from cotton fibres . . . the more cotton fibre, the finer the paper. They're made by craftsmen, like the men at Fox River, who have been making fine cotton fibre papers since 1883.
- Ask your printer, lithographer or engraver about Fox River papers. He'll be glad to recommend the paper with the correct cotton fibre content for each business need.



FOX RIVER PAPER CORPORATION
402-G South Appleton Street
Appleton, Wisconsin

serious breakdown they will be given their day in court.

It is a nice question as to how much marketing men will have to say about the outcome. First, let us see what happened to distribution in wartime, and how deep an impression the war experience is likely to leave on future concepts and methods.

The quick answer to the first question is that, from a marketing man's viewpoint, the market took control of the man. Anyone with goods to sell had to slink from tree to tree or peer out from behind cellar doors. But so loose an observation conceals a very interesting distinction. In its ancient feud with production the market achieved complete tyranny in the military sector and literally lost its shirt in the civilian sector. The tyranny of the market over production can scarcely be more complete than in the procurement of minutely specific military equipment and supplies under the dictation of an all-powerful central government. In the areas of free choice, power travelled in exactly the opposite direction, and production by and large freed itself from market dictation.

Wartime Marketing Functions

In the military area, nevertheless, there was a surprising retention of conventional marketing functions. The scale is so gargantuan that the similarities escape a casual glance, but they are there. The breathless urgency of time and place which characterizes the distribution of consumer goods is compounded many times in the case of munitions. As opposed to the rush to get goods ready in time for Easter displays, picture the tragic significance of time and place utility in the efforts to relieve Tobruk and Bastogne, and in our long climb up the island stairway of the Pacific. All the parallel factors in distribution costs and services can be readily identified—transportation, warehousing, inventory control, order filling, and invoicing, scheduling of deliveries, research on the character of products needed, coping with the uncertain incidence of still greater needs, and training the ultimate consignee in the use of the product.

As to product differentiation, that frivolity of peacetime production, was such minute diversification of type,

HIGHLIGHTS OF THE 46th Annual Report of the ELECTRIC BOAT COMPANY

FOR THE YEAR ENDED DECEMBER 31, 1945

Financial Review

RESULTS OF OPERATIONS: Gross income from operations for the 1945 year amounted to \$45,851,910, comparing with an annual average during the five war years (1941 through 1945) of \$69,911,108 and with \$11,972,963, the annual average for the five pre-war years (1936 through 1940). The 1945 profit, after all taxes, was \$2,220,976, against an annual five war-year average of \$2,855,163 and a five pre-war year average of \$1,503,191. Net profits per share in 1945, based on the 695,725 shares outstanding on December 31, 1945, were \$3.19, compared to \$4.10, the average in the war years and \$2.16, the five pre-war year average.

Dividends totalling \$1.50 per outstanding share were paid in 1945 and in 1944. The rate in 1943 was \$1.25 and \$1.00 was paid in 1942. Dividends have been paid each year for the past ten years.

Unfilled orders at December 31, 1945 had declined to \$10,871,000.

The War Years

CONTRIBUTIONS TO VICTORY: Eloquent evidence of the leading part which the 97 modern type EBCo submarines and the 399 Elco PT boats, constructed for our Navy by the Company, played in winning the Victory in the Pacific is given in the colorful and pictorial Annual Report mailed to stockholders on May 16th. Devastating inroads on the Japanese Navy and merchant marine, from the very outset of the war, piled up a spectacular total to the credit of the United States submarine service of 10,689,800 tons sunk and 5,785,500 tons damaged, representing a total of 3,642 enemy ships sunk or damaged, all as recorded in final official Navy communiques.

The record of the famous Elco PT's, the "fighting furies of World War II", is most im-

pressive. The contributions made by other Company products are also recounted in the 1945 Annual Report, a copy of which may be had upon request made to the New York office, 33 Pine Street, New York 5, New York.

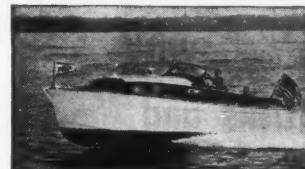
Today and Tomorrow

DIVERSIFICATION FOR THE FUTURE: The Company's financial position is excellent, as is disclosed in the balance sheet items shown below. It is logical that the development of new products will keynote the Company's future plans. The submarine should remain an important Company product and may assume an even greater role in national defense, in the publicly expressed opinion of high naval experts.

It has often been said "if you can build a submarine you can build anything". For personnel with the ingenuity needed in the designing and building of such a complicated mechanism, automatic machinery, for instance, presents no insuperable problems. EBCo is now developing an automatic "Electric Pin-Boy" for bowling alleys, and has recently acquired exclusive rights to build a modern, medium-sized, color offset press to be made available in quantity to the printing trades. The EBCo plant is producing "Armorlite" truck bodies, unique in their extremely light weight and in payload capacity; steel trawlers for the fishing industry, designed for ruggedness and speed; and foundry castings for a large variety of industrial uses.

The Elco plant is now building and taking orders for a complete new line of top-quality pleasure boats in five popular lengths, and is using its wood fabricating equipment and craftsmanship in developing specialized automotive bodies and trimmings.

The Electro Dynamic plant has developed a new line of electric motors to be mass produced for industrial and marine uses.



Fast new Elco 27 ft. sport cruiser has all the comforts of a "Home Afloat."



Laying keel of first post-war steel trawler at Groton Plant.



New EBCo Armorlite truck body.



Motors and generators, mass produced at Electro Dynamic Plant.

SOME BALANCE SHEET ITEMS IN COMPARATIVE FORM

	1945	1944	1943	1942	1941
NET WORKING ASSETS	\$16,825,878	\$14,062,377	\$12,949,040	\$12,036,338	\$10,304,926
SURPLUS AND SURPLUS RESERVES	18,024,645	17,166,186	15,302,343	13,096,160	10,944,543
GROSS FIXED ASSETS	7,483,402	7,007,995	6,894,360	6,557,163	6,259,054
NET FIXED ASSETS	2,160,685	2,314,865	2,660,480	2,747,148	2,802,937
NET WORKING ASSETS PER SHARE based on 695,725 shares outstanding December 31, 1945	24.18	20.21	18.61	17.30	14.81
NET WORTH PER SHARE OUTSTANDING at end of each fiscal year	28.91	26.90	24.12	20.40	17.54
CURRENT ASSETS PLUS NET INVENTORIES	20,323,169	25,278,374	26,411,297	32,931,657	18,938,961
CURRENT LIABILITIES—NET	3,497,291	11,215,997	13,462,257	20,895,319	8,634,035
CURRENT RATIO—ASSETS TO LIABILITIES (as above)	5.8 to 1	2.3 to 1	2.0 to 1	1.6 to 1	2.2 to 1

CASH AND U. S. GOVERNMENT SECURITIES amounted to \$10,963,837 at December 31, 1945 but increased to \$14,653,431 as of April 27, 1946. ACCOUNTS RECEIVABLE—U. S. Government and sundries aggregated \$7,227,859 at December 31, 1945 but decreased to \$3,105,073 as of April 27, 1946. INVENTORIES, AT COST were \$2,146,084 at book value on December 31, 1945, as against \$6,323,082 on December 31, 1944.

L. Y. SPEAR, President.

ELECTRIC BOAT COMPANY

33 Pine Street, New York 5, N. Y.

ELECTRO DYNAMIC WORKS
Bayonne, N. J.

NEW LONDON SHIP AND ENGINE WORKS
Groton, Conn.

ELCO YACHT DIVISION
Bayonne, N. J.

Taxes are not paid with Bricks and Mortar

However modern and efficient a closely-held or family business may be, the impact of estate taxes will ultimately be felt fully and perhaps destructively—unless liquid capital is available.

The realization of this fact is one of many reasons why majority stockholders in such enterprises have taken the necessary steps to meet inevitable contingencies. This has been true of many of the largest privately-owned enterprises as well as those of moderate size. It has been and is being accomplished, prudently and conservatively, by the distribution of part or all of the equity in the business to the investing public.

Solving the Problem

The eventual imposition of estate taxes is but one reason why those who control substantial enterprises may well consider the partial or complete sale of their ownership now. Other advantages, to company as well as owner, include the establishment of a market for the securities and better financial preparation for a future which is necessarily uncertain.

As investment bankers with experience in many such underwritings, involving many kinds of business in all parts of the country, we are in a position to discuss such a distribution accurately and informatively. A letter to one of our partners will prepare for such a conference.

If you would like to review some of the financing which we have performed for many sound enterprises in recent years, please send for our booklet "House Colors."

VAN ALSTYNE, NOEL & CO.

Members

New York Stock Exchange
New York Curb Exchange

52 Wall Street, New York (5)

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grade, and feature ever known? The bomb of World War I became the complete line of World War II. Transportation became logistics, ranging in scale from palletized freight to complete portable harbors and in expanse from the Red Ball express across France to the pitiful trickle of supplies flown across the hump into China. In this distended and high velocity market the buyer developed unheard of wiles of salesmanship, as each service sought to impress producers and allocation agencies with the urgency of its needs.

Peacetime Distribution Plans

Unquestionably there will be some carry-over to peacetime. Some new ideas and new facilities for swift, large-scale distribution will be stripped of the waste accompanying their innovation and be worked into a system that lives by scale. Even so, these borrowings are apt to be gradual, and will not necessarily be pervasive. Waste was a planned and constructive feature of wartime production and distribution, and with its necessary eradication will go much of the accomplishment.

We are, therefore, turned back to the civilian sector of the war economy, where we found the power to fix production patterns to have shifted heavily toward producers. It is tempting to regard the high level of civilian production and consumption achieved in wartime as a realization of the planner's dream of full employment. In that case we could examine the behavior of producers, distributors, and consumers, and the changes in selling and marketing practice, as free lessons in what we might expect should political methods of reaching the same goal ever be successfully adopted. For example, output patterns were distorted and consumers' services were dropped in the full employment economy of 1943-1946. Therefore, such things will always happen with full employment.

In all probability nothing could be further from the truth. The differences in method, political climate, and degree of realization would not merely make differences everywhere but would compel reconstruction beginning with the psychological effects of the political approach itself. To begin with, no planned employment program would bring about the pressure on capacity

DEADLINE AHEAD

Trade listings and advertising space in the TRADE INDEX of U. S. MANUFACTURERS are closing within a few weeks.

ACT NOW

This influential sales reference volume will be distributed to 40,000 leading Latin-American buying sources. If you want your products presented in the 29 Latin-American markets during the coming year, now is the time to write or wire reservations for individual listings or display advertising.

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The Mercantile Agency
290 Broadway
New York 8, N. Y.

PHOTOS 5¢
8" x 10"
Genuine Glossy
Unsurpassed in Quality at any Price
NO NEGATIVE CHARGE—NO EXTRAS OF ANY KIND
6¢ EACH in 100 Lots
5¢ EA. in 1000 Lots
POST CARDS or 4 x 5" 2¢ EA. in 1000 Lots
MOUNTED ENLARGEMENTS
30" x 40" \$3.85 EA.
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that resulted from the colossal requirements of war. We started out in fact with a concept larger than war, that of guns and butter, although we ended up with guns and margarine. Meaning that civilian output held up strongly to the end, but in a strange composition. Some of our additions to capacity were originally planned on the guns and butter promise, although the awesome expansion in war goals brought them back into single perspective. Again, the costs of the marginal wartime production were many-fold those incurred at optimal or even average rates of operation. Again, public and business and labor union acceptance of comprehensive peacetime planning would not remotely match their acceptance of a plan for national survival. For these and many other reasons the parallel will not stand up and all borrowings from it are suspect.

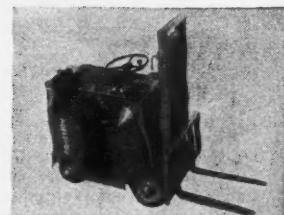
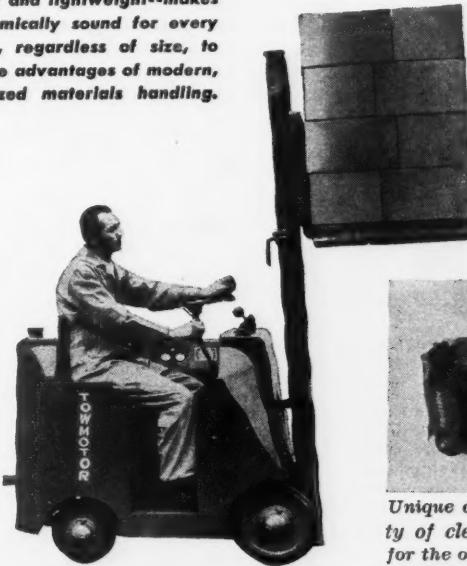
Marketing's Relationship

What then is the relationship of marketing to full employment? Obviously the answer will be determined in part by our political climate if and when the attainment of full employment once again becomes a matter of grave concern. We have grounds for hoping today that no serious deficiency of demand will develop for some years, and that when accumulating dislocations do force another settling period, moderate measures will be capable of dealing with it.

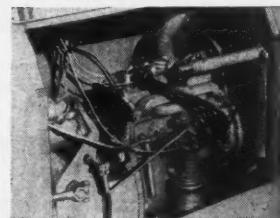
As we have seen, the "Helping Handers" would limit themselves to (1) built-in anti-cyclical flexibility, such as strengthening the position of the personal income tax in our tax system, tax averaging, and the broadening of unemployment compensation; (2) semi-automatic steps such as coordinating the control of bank credit with fiscal-monetary measures, and flexible public works programs; and (3) independent measures such as the private planning of private investments with one eye to their economic timing, and the subjugation of monopolies. "Underwriters," however, would be leaping from their cloisters with plans to insure outlays for consumption and investment, have Government take over the unsold parts of industry quotas, and/or pay "social dividends" to every member of society in order to

Announcing... The New **TOWMOTOR LT-35 LIFT TRUCK**

Compact and lightweight--makes it economically sound for every industry, regardless of size, to enjoy the advantages of modern, mechanized materials handling.



Unique design provides plenty of clear, accessible space for the operator while retaining small overall dimensions and low center of gravity for maximum stability.



Engine and transmission in the LT-35 are easily accessible for inspection, adjustment and maintenance.

12 ★ FEATURES

- ★ COMPACT
- ★ LOW STEP UP TO OPERATOR'S STATION
- ★ LIGHTWEIGHT
- ★ RUGGED CONSTRUCTION
- ★ MANEUVERABLE
- ★ 4-WHEEL STABILITY
- ★ AMPLE SPACE FOR OPERATOR
- ★ EASY REACH CONTROLS
- ★ HYDRAULIC LIFTING AND TILTING MECHANISMS
- ★ MAXIMUM ACCESSIBILITY FOR INSPECTION AND MAINTENANCE
- ★ SHORT TURNING RADIUS
- ★ ENGINEERED TO THE JOB BY TOWMOTOR

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TOWMOTOR
THE ONE-MAN-GANG

WHERE TO MEET...



...can be as important as when!

At Philadelphia's Benjamin Franklin you'll find unusual accommodations for everything from a big convention to a small group. Famed for fine food and excellent service. Nightly Ice Shows and dancing in Garden Terrace.



Walnut 2-8600 • JOSEPH E. MEARS, Managing Director

FREE CHART
provides **QUICK ANSWERS**
TO YOUR PROBLEM OF
COST REDUCTION

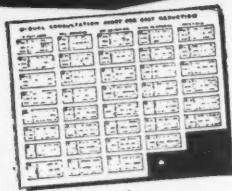


Chart Size 17" x 22" ... In Two Colors

• This scientifically developed "Visual Consultation Chart For Cost Reduction" will enable you to quickly pick out the cost items that need careful study. It covers the items of Direct Labor, Manufacturing Overhead, Administration, Selling and Distribution, and Materials... it gives remedies for the 37 problems that go to make today's high costs. Write for your free copy today... on your company letterhead. •



**DESIGNERS FOR
INDUSTRY, INC.**

2915 DETROIT AVENUE • CLEVELAND 13, OHIO

maintain total aggregate spending at a "full employment" level. If we should be stampeded into such schemes as these, the marketing function could not remain unaffected. The extreme effect might be technological unemployment of marketing men until the function was redistributed among affected industries, or until bureaucracy opened its fat arms to displaced experts. Our stake in the success of the "Helping Hand" system, that being a variant of what we now have, is manifest in comparison with the "Underwriting" alternative.

Attain a Production Level

Many marketing men feel that aggressive and intelligent selling should be our chief reliance in attaining a level of production that will give full employment. They would probably not object to "Helping Hand" measures of the CED type which would have the Government use wisely those powers which it must exercise in any event. Few would deny, in the present climate of public opinion, the political inability of any government to sit with folded hands in the event of widespread unemployment. But the core of their feeling is not resignation to last ditch measures but disbelief in their inevitability. Why not market our way to full employment?

The CED, utilizing the services of skilled marketing men such as T. G. MacGowan, has written a thoroughly satisfactory first chapter. It assembled on a new scale the kind of information needed to assess the magnitude of the task. The circumstances of the period with which it dealt were auspicious. Fabulous accumulations of wants and of purchasing power made the problem one of restraint rather than promotion. One may reject stagnationism, however—the majority of economists probably do—and still expect that the forces activating the present cycle will eventually spend themselves and precipitate a more serious test. And to measure the ability of good marketing to ease depressions requires clear prior decisions that none of the maladies constantly discussed in economic literature, such as chronic underinvestment and oversaving, are actually present in the system. It would not be enough for marketing to be sound if the rest of

CHOOSE WITH CONFIDENCE

Do you intend to launch a new product—or find new markets for existing products? Successful expansion of business depends on a thorough understanding of sales territories, their enterprises, and local conditions affecting them. The Marketing & Research Service of Dun & Bradstreet can help you to—

- ✓ Determine the size of your potential market
- ✓ Establish sales quotas in any market or territory
- ✓ Determine the best channels of distribution
- ✓ Gage the effect of new materials and processes on the lines you now handle
- ✓ Test trade or users' acceptance through representative sampling of opinion
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We offer nationwide facilities and a staff of specialists for any fact-finding assignments affecting sales development problems and their related subjects.

Marketing & Research Service
DUN & BRADSTREET, INC.
290 Broadway, New York 8, N.Y.

the economic body is ailing. In the latter event stepped-up investments in selling effort would have to be written off as a private form of deficit financing. They could not produce sales commensurate with the outlay, and indeed that would happen to some extent in efforts to stem ordinary cyclical depressions. But if we were accepting the stagnation theory, we would not be discussing so seriously the marketing function in terms of its economic potential.

There is much that marketing can do to help maintain high levels of activity and high (not full) employment. Conspicuously, the responsibilities of continually reconciling large-scale production with a product differentiation which individualizes consumption and of holding consumers' expenditures up to a high percentage of disposable income, rest heavily on the marketing profession.

Distribution Adjustments

The distribution channel links the producer and consumer. The method of doing it changes continually. It has been said that the present phase is one of reconciling the benefits of both mass production and highly personalized consumption. The one adds to gross availability while the other honors our American dream of the ascendancy of the individual. To achieve this objective is no mean trick. Conferences with the Parlin Memorial Lecture Committee, supplemented by correspondence with Wroe Alderson, brought forth a suggestive list of the detailed adjustments to be performed in the channels of distribution to accomplish it. Five steps or factors identified as contributing to product differentiation were:

1. Effective alternatives in consumer choices.
2. Installation, repair, or replacement (with the returned goods privilege as a negative).
3. Breadth of selection.
4. Conveniences of time and place.
5. Advice in product selection.

Illustrations only are possible at this point, such being: Effective alternatives in consumer choice, based on careful market research, product testing, and advertising, to increase the satisfaction of distinctive groups of consumers. In-



Something new was added to the office while you were away, Major!...

The Postage Meter makes adhesive stamps unnecessary, prints postage as needed for any kind of mail... seals the envelopes at the same time... handles the day's mail in a matter of minutes... Prints a dated postmark too, which helps hurry your metered mail through the post office... A great convenience, always has the value of stamp you need... stops stamp leaks and losses, does its own counting... Even a small office can afford a Postage Meter—tens of thousands in use everywhere... Call the nearest Pitney-Bowes office, or write today for free illustrated booklet.



NEED MORE
OPERATING CASH
than present sources will lend

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Learn how much more
you can get and how long
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low-cost plan

OUR Commercial Financing Plan has helped many companies overcome the handicap of limited working capital and a limited line of credit. For example, a letter from one user of our plan says:

"In surveying the progress this company has made during the past year, it is forcefully evident that this progress could not have been possible had it not been for the financial assistance given us by Commercial Credit . . . at a time when other financial institutions did not choose to be of service."

Other manufacturers and wholesalers have adopted our plan—and used it to a total of more than One Billion Dollars in the past five years—because they find it low in cost, more flexible, a greater aid to profitable operation.

Our plan helps you make more money by giving you more money to work with . . . under a continuing arrangement that lets you plan

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ahead with confidence. It frees you from worries about renewals, calls and periodic clean-ups of your loans. And it involves no interference with your management . . . no restrictions on your operations.

What's more, the low cost of Commercial Credit money invites investigation and comparison. Let us send you our booklet, "A Comparison of Money Costs," containing actual case studies of our Commercial Financing Plan vs. Time Loans. There's no obligation. Just write or telephone the nearest Commercial Credit office listed below.

MACHINERY FINANCING AT LOW COST

Use our Machinery and Equipment Purchase Plan to finance all new or used equipment you buy. Small down payments. Low rates. Balance spread to let you pay out of earnings . . . Details on request.

stallation and repair to complete the satisfaction. Breadth of selection to heighten self-expression. Convenience in time and place both to heighten consumer efficiency and to add leisure and self-indulgence to our standard of living. Advice in product selection, honestly and skillfully given, to make the most of the honesty and skill that had already gone into production and distribution.

It is not our purpose to praise all this ingenuity of concept and classification. We know in fact that every idea in the list is controversial. Controversial not in concept but in degree. The foregoing factors are real—goods unsold are as music with no one to listen—and intangible as they may be, they can be counted among the market's silent adaptations to the evolution in production techniques. Even so, like any other value, they can be overdone and become baroque or wasteful. Then some critic will observe that the consumer will take all this bowing and scraping if you prefer, but she who previously insisted on credit, delivery, and returned goods privileges, will not stand in line and pay cash for whatever the storekeeper wants to hand her. The evaporation of demand for services that occurred during the war may be mainly deflationary and worth a memo for future consideration.

Accuracy in Advertising

Similarly, some of our promotional absurdities are lovable, and their net effect good, but still they are open to a sharp shaft. One year it's "Buy our Non-Bust Indestructible Gibraltar Potato Peeler," and the next it's "Be Modern! Save your knuckles and get rid of last year's antique." Now of course the obvious virtue of accuracy in advertising can, like all virtue, do with a little gentle tolerance. As has been the case with salesmanship from time immemorial, advertising will always in some degree be a contest in enthusiasm—the courts indulgently call it puffing—and up to a point the public makes its own instinctive discount for exaggeration without smothering its yeasty qualities.

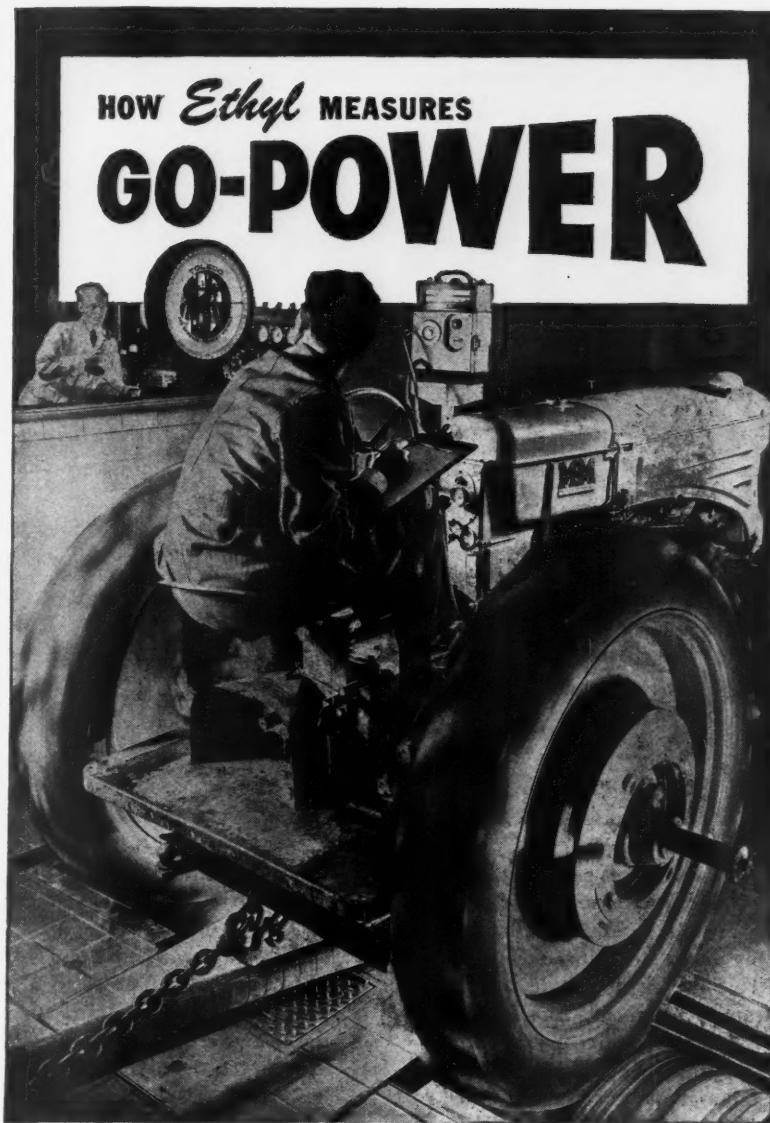
But the limits of this and other legitimate forms of tolerance can no longer be wide. Reference is not to profits, at least primarily. It is still to systems.

A major assignment to business in preparation for the next settling period is to find the points of diminishing returns to good ideas. Most of the five values which have been discussed with some admiration can be pushed to the point of being waste. When does value become economic cost? Air transport of strawberries is adding further to distribution costs. That is good and the consumer is willing to pay for it. But some day some enthusiast may try to differentiate his brand by packaging each box in an iced hogshead. Whether or not such costs should be borne is in the first instance the consumer's business, not that of the economist or politician. But eventually, buried in aggregates, they will be found in statistical tables proving the iniquity of high distribution costs. Even our professional moods are not stable, and political moods can dangerously reflect their instability. Now we extol such costs as value added by distribution to our national well-being, now condemn them as inefficiencies in the system.

However reverently we speak of the customer as our supreme planner, the responsibility is not only the customer's. Only at the point of absurdity or outrage do most pre-occupied customers become cost engineers. The art of merchandising must provide the first line of defense against criticism that is not offered constructively but as proof of the need for another kind of system. These confusions will infect the next period of controversy over how to achieve and maintain full employment.

Consumer Spending

In its second major area of responsibility for full employment, good marketing can put a higher proportion of disposable income into the consumption stream. In the short run the evidence suggests that consumer spending as a percentage of disposable income (roughly, personal incomes minus taxes) falls as income rises. Underlying the cyclical variation, however, there seems to be a fairly stable long-run relationship at the rate of 90 per cent or slightly above. We need to push that ratio as high as possible, and have it self-renewing. There is no point in exhorting marketing men to a new and glorious advance in skills. That is what it will take, but the necessary im-



● In Ethyl Corporation's modern Research Laboratory in Detroit this "chassis dynamometer" measures the power of new motor fuels.

The results are read on that Toledo Dial. It looks like a conventional Toledo Scale. And it is—in its sensitivity and accuracy. As a scale it measures gravity in terms of weight. Here, as a dynamometer, it measures torque in terms of horsepower.

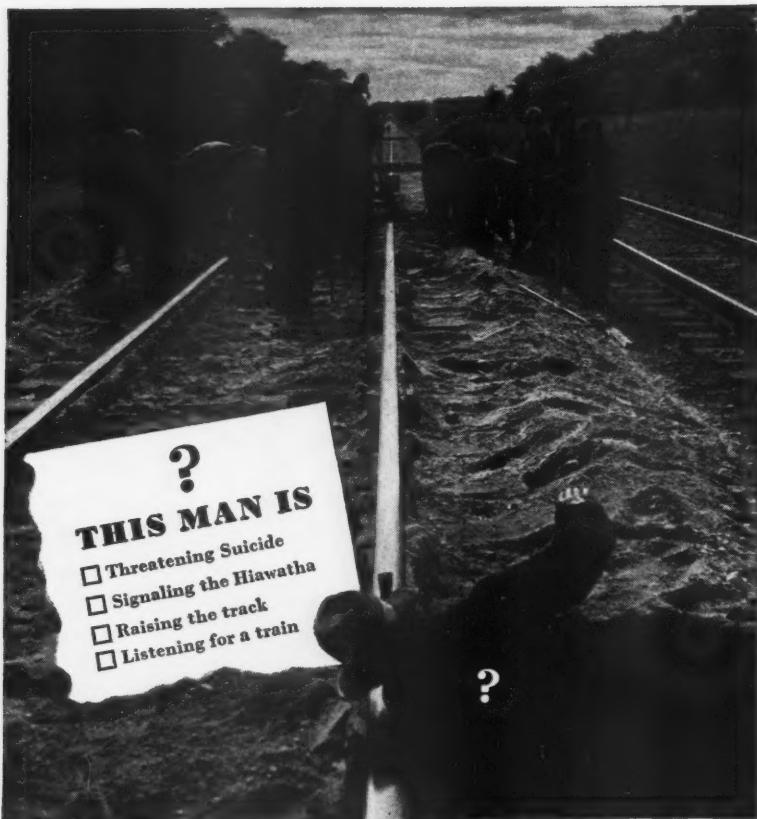
Of one thing you can be sure. The measuring device which satisfies the requirements of Research Laboratories like this one, is adequate indeed for accurate, rapid, commercial and industrial weighing.

Wherever Accuracy, Speed and Durability are demanded—in weighing or force-measuring—Look for a Toledo!



"Background" is for idea men looking for solutions to force-measuring problems. Not a catalog. A copy will be sent free (without sales solicitation). Toledo Scale Company, Toledo 12, Ohio.

TOLEDO
HEADQUARTERS FOR SCALES



HE is a track raiser taking a sight necessary for accurately raising track during a ballasting job on the Milwaukee Road. This stretch of double track is rated by engineers tops for high speed, heavy-duty operation. It cushions the HIAWATHAS and a great fleet of super-speed trains running on faster than mile-a-minute schedules between

Chicago, Milwaukee and the Twin Cities. Properly cared for, a well built roadbed like this one improves with age. The Milwaukee Road program of track improvement and maintenance never stops. As the track expert pictured above with his head to the rail said, "We make 'em as smooth as a ballroom and as solid as Gibraltar."

THE MILWAUKEE ROAD

20,666 PRESIDENTS

DUN'S REVIEW REACHES 20,666 PRESIDENTS AND 35,485 OTHER EXECUTIVES.

LEADS as a money-saver in Shipping Department," say users of Marsh Stencil Machines, Brushes, Inks! Three sizes to meet Gov't Spec. 1", 3/4", 1/2". For sample stencil, shippers' handbook and prices, pin this to business letterhead, with your name.

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STEEL GRIP

provements in concept and method will come as always from the satisfaction of achievement and the pressure of competition, and not from sudden emphasis on their economic significance. In capsule form, for the record, bad timing, misplaced effort, and the failure to keep goods of a complimentary character in balance, represent not merely direct waste but interfere with the effective utilization of other resources.

New Products Often Mean Jobs

New products present even more striking possibilities. A growth in the consumption ratio has the effect of reducing the amount saved from a given income, but in all probability will not provide substantial offsets to actual savings since it is unlikely to induce much investment. But new products, or new techniques for manufacturing old products, often provide immense employment—giving outlets for investment funds. Whether through plant conversion or plant construction, this means of stimulating investment is almost hallowed in the American lyric.

The new products do not have to be sensational. The automobile was great. The continuous strip mill is great, although not primarily a marketed commodity. For a host of small benefits public enthusiasm is ready too at the terminals of both production and consumption. As the tides of war production recede they are seen twinkling on every side. Deep freezing and air conditioning in the homes, television some time. Electronic circuits reproducing facsimile messages without the aid of a telegrapher, or welding materials previously considered too thin, or inspecting and controlling industrial operations in the absence and beyond the skill of man. The shrinking of tolerances in both machining and casting. The new speeds of tungsten carbide cutting tools. The new kingdoms of light metals, plastics, and plywoods. A stream of new developments in metal and continuous process plating. Automatic flame-hardening and quench-hardening of lower alloy steels. Piston-type pumps in small sizes with high output. The drastic redesigning of general purpose motors. Machine tools that do everything but talk. The advance of the helicopter to the thres-

holds of general use. New drugs. Seaweed for smoothing the texture of ice cream. In Europe, elevators with seats, towels heated on hot water pipes. Again at home, and climactically, can we free housing, the dormant economic rival of the automobile, from the bondage of primitive methods, racketeering, and monopoly?

In all likelihood, a revival of innovation on any substantial scale will require (1) the continued guarantee of a temporary monopoly position as through the protection of patents, (2) changes in the tax system such as averaging and concessions to venture capital, and (3) establishment of effective outlets of distribution through advertising and market analysis. Old wants are waiting more eagerly than ever before for new means of satisfaction; the means are available; and the marketing man is the catalyst for their union. Success in such an effort would not be the final answer. Search will never end for ways of strengthening an economic system in organic rather than structural ways. But success *would* point to the validity of an American genius rather than to a need for melancholy reforms.

Duties of Marketing

Marketing can contribute to higher standards of living and even to full employment by maintaining past rates of increases in efficiency. It can build indefinitely on the premise implicit in Charles Coolidge Parlin's life, namely that production in the economic sense is never complete until an ever expanding flood of useful goods is moved efficiently to the right place in the right quantities at the right time. Performance can stay an excessive swing from the ancient assumption of a perfect market and knowledge to the assumption of perfect government and an inefficient market. Even so, the spread between these assumptions is wide, and we cannot afford to shrink from the fact that in this tight and taut world, marketing, like every other branch of industry, has a double duty to perform. It must weigh the economic as well as the business consequences of every private policy.

In conclusion, the current "Helping Hand" creed will leave the marketing function free to extend without hin-

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THE Treasury Department has published two new booklets to help you and your employees realize the utmost benefit from your Payroll Savings Plan—benefits proportioned to the extent your employees add to "take home savings" by buying and holding U. S. Savings Bonds.

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See your Payroll Savings Plan through to maintain your share in America's future. It is sound economics and a powerful force for good today—and tomorrow—as a safeguard for stability and a reserve of future purchasing power—money that is kept within your community.



The Treasury Department acknowledges with appreciation the publication of this message by DUN'S REVIEW

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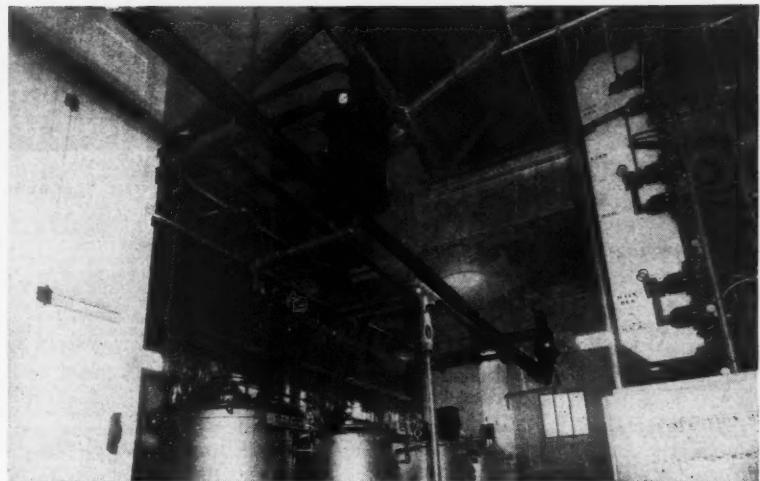
drance its already large contribution to diversified living. No attempt has been made to minimize the bleakness of the outlook should "Underwriters" take over. We do not want the economic disaster that alone is likely to bring them to power, and it seems very doubtful whether we as a people would find their remedies palatable. With them, and with organic alterations they would bring to the system, might well come the complexities of price control, allocation of resources, subsidies, and rationing—recent experience which we ourselves have not completely diagnosed. In the battle to avert such developments, the marketing profession has the opportunity to play a major rôle.

AMORTIZATION

(Continued from page 22)

whose useful life or value has greatly diminished due to unusual conditions surrounding their use. Some even say that post-war modernization of business will be retarded greatly unless depreciation allowances for business are more leniently handled by the Bureau of Internal Revenue than heretofore. They suggest amendment of the law or regulations to permit greater discretionary leeway for the individual business concern to set up its reserve policy for depreciation. Recent cases have demonstrated that the courts on the whole are much more considerate than the officials of Internal Revenue Bureau.

With regard to obsolescence, which also may be deducted in addition to depreciation, the existing tax regulations are wholly inadequate. They do not even inform the taxpayer as to what is meant by the term. The Supreme Court, however, has defined the meaning of obsolescence for income tax purposes though evidently this has not been in the current revenue regulations. The Court has stated that obsolescence may be due to various reasons such as changes in the law, shifting of business centers, loss of trade, inadequacy, supersession, prohibitory laws, and that "other things apart from physical deterioration" may cause plant elements



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VAN PERLSTEIN & ROEGER BOSCH, LTD., Heerengracht 440, Amsterdam, established 1873. Importers and representatives textiles every description, hardware, kitchenware, fancy goods, toiletts, cosmetics, electric articles, tools, leather, crockery, glassware, plastics, furnishing lines, toys.
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or the plant as a whole to suffer diminution in value. Furthermore, the taxpayer need not show a radically different use or abandonment of properties in order to take the reasonable deduction.

Taxpayers, however, have not been sufficiently aware of the liberality of the courts in this regard and have not availed themselves of a right or privilege accorded to them under existing income tax law. In those instances where managements have decided to press for more allowance along this line they have regrettably failed to show by evidence—which was available at the time—that depreciation deductions alone were insufficient for their purpose. For this state of affairs, business has only itself to blame. Diligence is still the price of liberty.

Financial Statements

Except for public utility policy—which did not treat the matter of amortization of facilities in any special manner—the practice of most corporations has been to follow the advice of the industrial and professional accountants and reflect the status of such facilities in their financial statements and prospectuses. It is true that a negligible number did not follow any consistent pattern in this respect but, on the whole, typical war contractors did truly present the desired information for both income tax and dividend purposes.

At present, the problem of fully amortized facilities which continue to be useful appears to be vexing many an accountant and business executive. One school of thought feels that the effect upon financial statements is in many instances significant when a rather large amount is involved in facilities which have been written-off under the tax laws.

This of necessity brings into the picture the problem of accounting reflection. Should the facility be carried on the corporate books at all? Opinions vary. Some say since the facility has been written-off as an asset for income tax purposes and no further deductible cost will be allowed, why carry the matter on the books? They contend that it does not help the potential investor to know that certain facilities now in the possession of a certain company could be used and are used as an

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asset or liability for corporate purposes.

A similar view is that unless facilities can earn or help earn profits or are salable, they have no value and that the best thing is to let amounts previously charged off stay charged off and explain, if need be, that the company still is using in its business certain war facilities heretofore fully amortized. Adherents to this viewpoint also feel that it is very difficult to prophesy what value such facilities may have in the future and very persuasive evidence must be present to justify a writeback. Finally, they contend that if in the future earnings from facilities—the cost of which has been effectively reimbursed by the Government—do result, such earnings are true earnings of such future years, properly to be stated as such (with appropriate decrease for that year's income tax thereon).

In any such problem the specific facts for the particular company must be fully studied and appraised by the executives responsible, including weighing their possible effect on potential investors, and a policy formulated which will bring the best in the light of the company's present and future operations. This is no easy task and requires full and complete investigation and study of all pertinent facts applicable. No rule of thumb will suffice. It requires hard work and then perhaps those who "investigate before they invest" will feel that the disclosures made to them are adequate, frank, and sincere.

CANDY

(Continued from page 18)

fell; there was a 25 per cent decline.

The war years gave a tremendous impetus to confectionery production. The gain in poundage from 1939-1944 exceeded twice the increase of the preceding twelve years.

In terms of dollars sales rose from \$308,000,000 in 1939 to \$658,000,000 in 1944. This gain is the result of a greater output, coupled with an increase in the price per pound. The rise in wholesale price was from 15 cents a pound in 1939 to 23.5 cents in 1944. It was brought about by stressing the

production of the higher-priced items. This meant primarily 5 and 10 cent specialty items and expensive package goods. The increase was accomplished by the diversion of materials from bulk confectionery and penny goods.

War prosperity modified or reversed several previously established trends. Most notable was the contraction in the volume of penny goods, which decreased 189,732,000 pounds, or 62 per cent. A considerable decline also took place in chocolate bulk candies. Production in this group dropped 96,092,000 pounds, or 40 per cent, between 1939 and 1944.

Chocolate-covered bars, as in the pre-war period, made the greatest quantity gains. Molded chocolate bars also made imposing gains in output (see table, page 16).

Government purchases largely explain the accelerated growth in candy output during the war period. Candy manufacturers sold as much as one-fourth to one-third of their output to Government agencies. This was a most desirable type of business because Government orders were filled from ration-free materials.

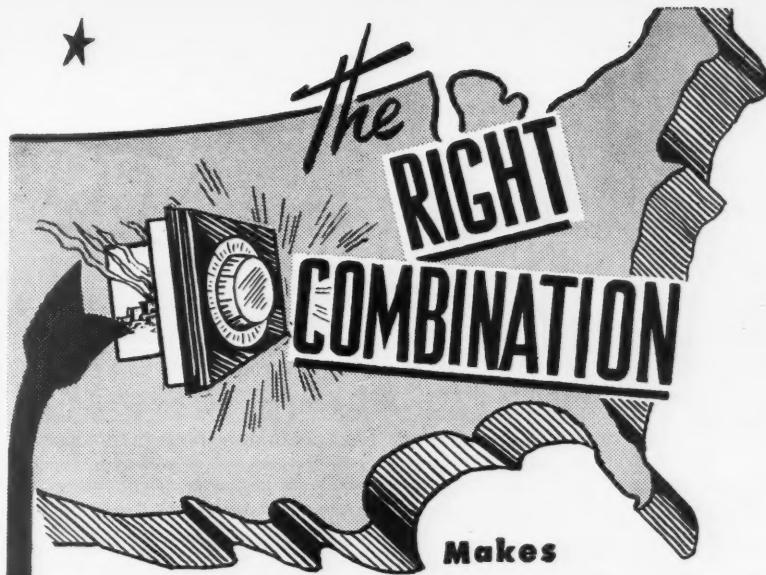
Indeed the Government dominated the candy industry throughout the war years. A set-aside order in 1944-1945 reserved for Government purchase as much as half the output of 5 cent items. In addition to direct Government factory orders military agencies secured large quantities of candy from wholesalers.

Outlook for the Industry

The amount of candy consumed depends upon the number of people and the size of the family income. Changes in population can be forecast with considerable accuracy. The United States is adding between 900,000 and 1,000,000 persons each year. The rate of increase, however, is dropping. It is

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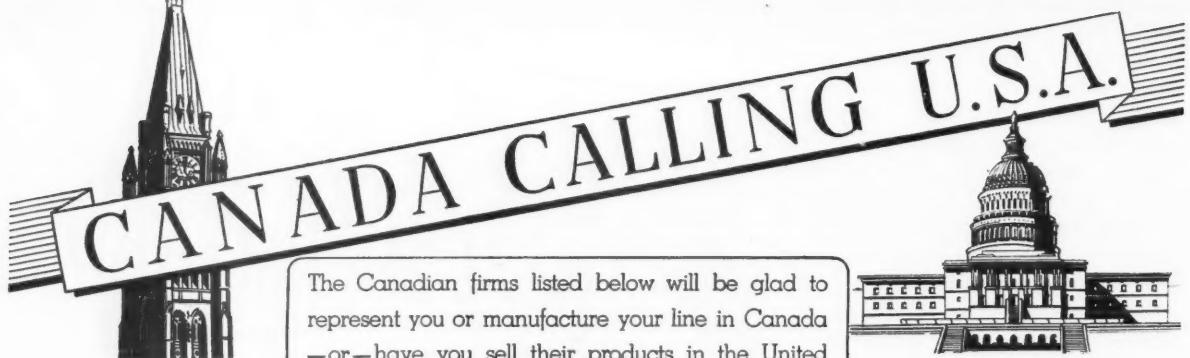
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estimated that about 1985 we will have stopped growing and that at that time there will be approximately 161,000,000 persons in the United States.¹

The University of Chicago recently made a study of candy consumption.² One conclusion was that "the liking for candy is in inverse relationship to age." This is significant because the younger age groups are becoming a smaller proportion of the total population. Therefore, to profit most from population growth, the industry must induce adults to eat more candy.

There has been a large rise in the birth rate during the war period. This will temporarily increase the proportion of children in the population. After 1950 many of the wartime babies will have entered the candy-eating age. This situation should increase candy consumption for some years after 1950.

CHANGES IN CONSUMPTION, NONFARM FAMILIES, IN- COMES \$1,000-\$4,999

	Lower Group (In lbs.)	Upper Group (In lbs.)	Per Cent Increase or Decrease
Milk or Equivalent	366.6	435.2	+18.7
Potatoes	117.1	113.5	-3.1
Beans, Peas, Nuts	13.9	10.7	-23.0
Tomatoes, Citrus Fruits	77.5	141.3	+82.3
Other Vegetables and Fruits	256.4	396.9	+54.8
Eggs	35.3	40.3	+14.2
Meat, Poultry, Fish	135.5	192.7	+42.2
Baked Goods	179.2	169.3	-5.5
Butter, Other Fats	59.1	63.1	+6.8
Sugar, Other Sweets	95.8	97.3	+1.6

Computed from material in *High-Level Food Consumption in the United States*, U. S. Bureau of Agricultural Economics, Miscellaneous Publication No. 581, December 1945.

The national income more than doubled between 1939 and 1944. It is hoped that the years ahead will witness further substantial gains in income. This will mean that American families will eat more and better food. More candy will be eaten. The gains here, however, will be much less than with some other foods.

A study of food consumption at different income levels (by the U. S. Bureau of Agricultural Economics) indicates that as income rises certain foods are given preference. The largest gains in consumption are in citrus fruits,

¹ Estimate of the National Resources Committee. Because of the temporary rise in the birth rate during the war years the 1985 figure is probably too low.

² "The Candy Consumer—How Much Will He Buy in the Postwar Period?" Gideon Hadary, *Journal of Business of the University of Chicago*, April 1945.

CHANGES IN CONSUMPTION,
FARM FAMILIES, INCOME
\$1,000-\$4,999

	Lower Group	Upper Group	Per Cent Increase or Decrease
Milk or Equivalent	600.7	663.8	+10.5
Potatoes	206.9	269.5	+30.3
Beans, Peas, Nuts	19.9	22.6	+13.6
Tomatoes, Citrus			
Fruits	51.5	73.9	+43.5
Other Vegetables and Fruits	339.3	522.4	+54.0
Eggs	36.1	46.6	+29.1
Meat, Poultry, Fish	117.8	175.2	+48.7
Baked Goods	222.5	220.5	- .9
Butter, Other Fats	60.1	71.1	+18.3
Sugar, Other Sweets	82.3	97.6	+18.6

Computed from material in *High-Level Food Consumption in the United States*, U. S. Bureau of Agricultural Economics, Miscellaneous Publication No. 581, December 1945.

vegetables, and meats. The gain in sweets is moderate for farm families. For nonfarm families the increased consumption of sweets was very small, only 1.6 per cent.

Candy production reached a peak of 2,800,000,000 pounds, or 20.5 pounds per capita, in 1944. The demand for candy was still unsatisfied. The U. S. Department of Commerce estimates that an additional 700,000,000 pounds could have been sold if the candy had been available.

We have seen that candy consumption varies with the business barometer. In some branches of the industry fluctuations are quite violent. The volume of production will, therefore, depend to some extent upon the existing state of business.

If the public could have satisfied its candy hunger in 1944 consumption would have attained 3,500,000,000 pounds or 25 pounds per capita. A projection of this per capita figure gives what is probably the upper limits of production. On the other hand, an extension of per capita pre-war trends, should establish the extreme lower limits of production. A realistic forecast must take into consideration new conditions which will affect candy consumption. Our mathematical projections must be judged in relation to their probable setting.

There is no doubt that the candy industry has been given a tremendous boost by the war. The coming years will see us eating more candy because of habits acquired during the war. It is easy, however, to exaggerate the perma-

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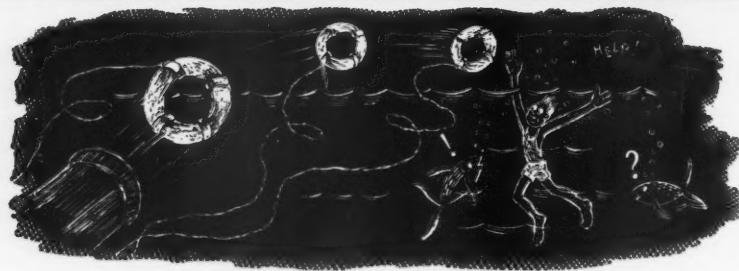
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nency of these candy eating habits.

A characteristic of the post-war period will be intense competition for the consumer's dollar. The buyer will enjoy a wide choice. No doubt the essential commodities that have been in short supply during the war will be given first consideration. The purchase of these items will absorb a large share of consumer funds available for spending. In this class will fall such durable goods as electrical appliances, refrigerators, radios, and automobiles, and in the non-durable goods field, clothing, meats, gasoline, and oil.

A resumption of normal purchases of such articles will leave less money for sweets. This will be especially true in the early years when pent-up demands are being satisfied. The more expensive purchases, such as houses and automobiles, will burden the family budget with installment payments.

CANDY IMPORTS AND EXPORTS

1936-1944

	Imports (In 1,000 lbs.)	Exports (In 1,000 lbs.)	Total Domestic Production (In 1,000 lbs.)
1936	3,754	6,824	2,049,000
1937	5,672	8,075	2,010,000
1938	3,678	7,652	1,955,000
1939	3,426	7,362	2,050,000
1943	38,449	5,210	2,561,000
1944	39,421	13,303	2,804,000
1945	70,251 ¹	26,097 ¹	2,600,000 ²

¹ Estimated on the basis of imports and exports for the first 9 months of 1945. From *Confectionery Sales and Distribution—1944*, (published by the Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce) page 81 for imports; page 83 for exports.

² Preliminary, *Confectionery Sales and Distribution—1944*, page 5.

The expectation that war habits of candy eating will be retained, must be modified. Factory workers will consume less candy than when they were working under war pressures. Those released from military service will consume less because civilian life is less active.

It is well to recall that candy consumption in the military services was encouraged by the fact that much candy was free; also, that a considerable quantity of candy credited to the armed forces was lost in transit or otherwise destroyed. Government purchases of candy cannot, therefore, be used as an accurate guide for normal consumption.

The war demand has raised candy production to a high level from which further gains will be relatively gradual.



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With materials in short supply it seems probable that candy production in 1946 will fall below the 2.8 billion pounds of 1944, but will be somewhat better than the 2.6 billion pounds of 1945. An estimate of 2.7 billion pounds for 1946 seems reasonable.

It appears certain that 1947 will be a year of active business and high purchasing power. Materials used by the confectionery industry will be in much easier supply. If the above assumptions are correct, the production of confectionery in 1947 should attain a volume of 3.2 billion pounds.

Taking into account per capita consumption and population trends it does not seem likely that confectionery volume will exceed 3.6 billion pounds by 1950.

DUN'S REVIEW

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Editor and Manager

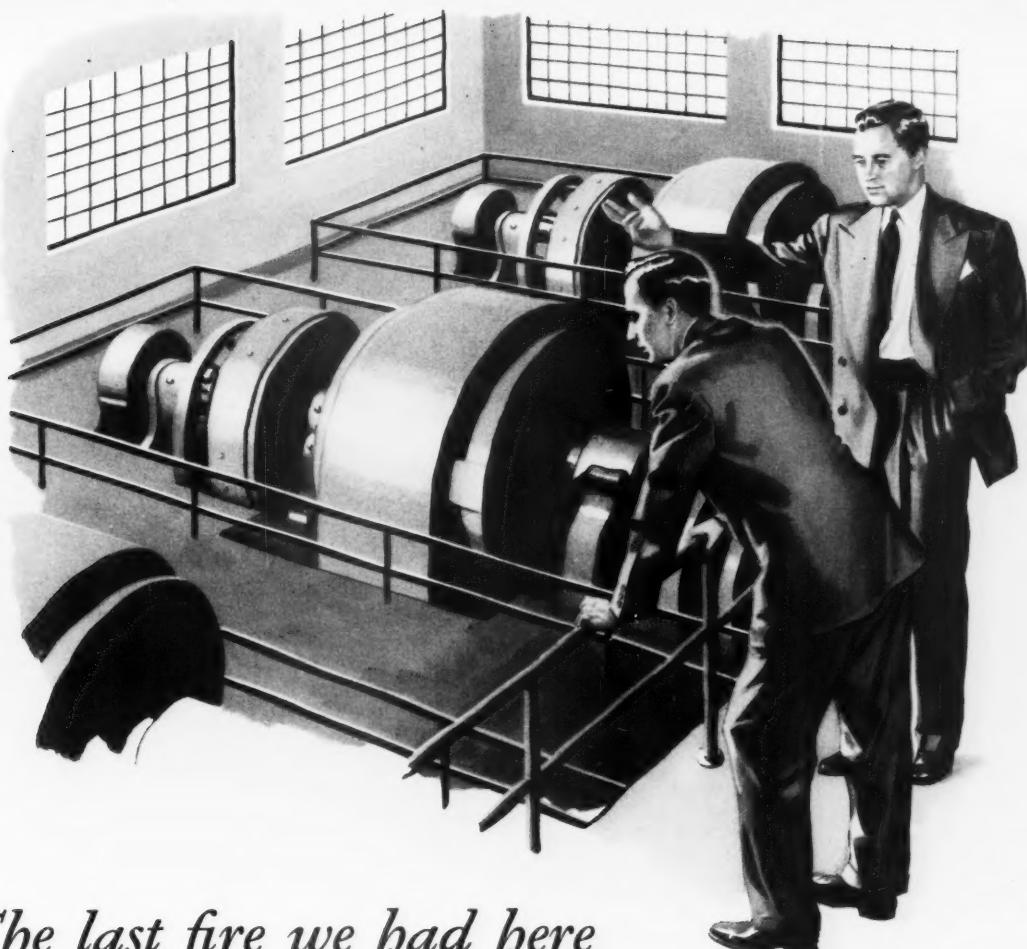
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